Strategic Leverage Partners Inc.

NATIONAL STUDY
OF BOARD GOVERNANCE PRACTICES
IN THE NON-PROFIT AND VOLUNTARY SECTOR
IN CANADA

by

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EXECUTIVE SUMMARY

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.

[1] CVSRD is a joint initiative of Carleton University and the University of Ottawa

Significance of Study

The voluntary and non-profit sectors in Canada comprise 161,000 organizations with some $112 billion in revenues annually, representing approximately10%[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.

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.

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

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 in the body of the report illustrate the differences in terms of both budget size and sector. Figure 4 shows the differences in geographic distribution.

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.

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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.

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 governance

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

Trends in Board Governance	Implications and Challenges for Non-Profit Boards
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
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

Trends in Board Governance	Implications and Challenges for Non-Profit Boards
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 competency 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 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 descriptions

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 assessments

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.

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.

"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)

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.

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TABLE OF CONTENTS

EXECUTIVE SUMMARY

ACKNOWLEDGEMENTS

1. INTRODUCTION 1
Layout of Report 2
Terminology 2

2. SIGNIFICANCE OF STUDY 3

3. LITERATURE REVIEW: RECENT TRENDS IN BOARD GOVERNANCE.............................4

4. STUDY METHODOLOGY 10
Web-Based Survey Distribution 10
Key Informant Interviews 11
Leadership Commentaries 11
Focus Groups 11
Community Roundtables 12

5. WEB-BASED SURVEY 13
Survey Sample Description 14
A. Size, Sector and Geographic Distribution 14
B. Characteristics of Organizations Represented 17
C. Characteristics of Respondents 20

Lay of the Land – Current Governance Practices 21
A. Board Structure 21
B. Board Composition 21
C. Board Processes, Policies and Procedures 23
D. Evaluation and Assessment 30
E. Risk Management 32
F. Independence, Authority and Accountability 32
G. Information and Record Keeping 36
H. Strategic Planning 37
I. Board Culture 38

Characteristics of Fully Engaged Boards 39

6. KEY INFORMANT INTERVIEWS 42
Key Challenges in Non-Profit Board Governance 44
A. Board Recruitment 44
B. Role Clarity...44
C. Board Development 44
D. Process and Culture 45
E. Accountability and Stewardship 45
F. Leadership 46
G. Measuring Board Effectiveness 46

Successful Practices **47**
A. Board Structure 47
B. Succession Planning and Board Recruitment 47
C. Board Appointments 48
D. Leadership and the Importance of Good People 49
E. Role Clarity 50
F. Board Policies and Process and Board Culture 50
G. Transparency, Accountability and Increasing Public Trust 53
H. Strategic Planning 54
I. Financial Responsibility 55
J. Stewardship 55
K. Partnerships 55

Public Policy Standards and Recommendations **56**

7. LEADERSHIP COMMENTARIES **57**
Trends Affecting the Non-Profit Sector **57**
Key Challenges in Non-Profit Board Governance **59**

8. FOCUS GROUPS **62**
Profile of Focus Group Participants **62**
Trends Affecting the Non-Profit Sector **63**
Key Challenges Facing the Non-Profit Sector **65**
Trends Affecting Board Governance in the Non-Profit Sector **66**
Key Challenges in Non-Profit Board Governance **67**
Successful Practices **70**
Measuring Board Effectiveness **81**

9. COMMUNITY ROUNDTABLES **84**

10. CONCLUSIONS AND RECOMMENDATIONS **86**

APPENDICES
APPENDIX A: Useful Resources **88**
APPENDIX B: Short Biographies on Key Informants **89**
APPENDIX C: Analysis of Federally Incorporated Organizations **91**
APPENDIX D: Analysis of Sub-Sectors **93**

BIBLIOGRAPHY **103**

ABOUT THE AUTHORS **106**

List of Figures

FIGURE 1: Distribution by size of annual budget 14
FIGURE 2: Non-profit sub-sector distribution 15
FIGURE 3: Distribution across sub-sectors by annual budget 16
FIGURE 4: Geographic distribution of organizations 16
FIGURE 5: Scope or organizations 17
FIGURE 6: Incorporation status of organizations 17
FIGURE 7: Age of organizations 18
FIGURE 8: Size of organizations as determined by the number of staff (full time equivalents) 18
FIGURE 9: Number of volunteers supporting the organizations 19
FIGURE 10: Responsibility for monitoring of policies and procedures 25
FIGURE 11: Distribution of focus group participants by sub-sector....................62
FIGURE 12: Size of annual budget 63

List of Tables

TABLE 1: Key trends and challenges affecting the non-profit sector and their implications for board governance vi
TABLE 2: Key trends in non-profit board governance and their implications and challenges for non-profit boards.................... vii
TABLE 3: Role of the respondent within the organization 20
TABLE 4: Trends observed in the voluntary sector and the impact it might have on board governance 85
TABLE 5: Highlight of differences in characteristics of sub-sectors compared to the full sample 97
TABLE 6: Highlights of differences in governance practices between sub-sectors and the full sample....................99

1. INTRODUCTION

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[6] (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 surveys on non-profit board governance practices have been conducted in the U.S., little comprehensive data has been available on non-profit board governance practices in Canada. With this in mind, SLP approached the Centre for Voluntary Sector Research and Development with its idea and the two agreed to partner in this valuable research. They decided that capturing the current practices of non-profit boards would be most effectively carried out through a nationwide web-based survey, while exploring challenges and identifying successful practices would best be determined through focus groups held across the country. Their goal was to produce a study that would represent a unique database of Canadian non-profit governance practices that could be shared by non-profit and voluntary organizations across sub-sectors throughout the country.

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

The partners felt that collaboration with prominent members of the non-profit community was important in that it would ensure broad buy in by study participants, which would, in turn, add to the acceptance of the study results and raise the awareness of governance issues in the sector. They established a Research Advisory Council to ensure that they were approaching the sector with the right questions in the right language, review materials, gain access to the non-profit organizations and individuals that were key to the success of the project, and help keep the work of the project alive.

The partners sought numerous sources of funding for the project rather than a single funder in the belief that it would lead to more broad-based support for the study throughout the sector and facilitate the sharing of the study findings among Canadian organizations striving to improve their governance practices. It took more than a year to obtain sufficient funding to launch the project.

[6] CVSRD is a joint initiative of Carleton University and the University of Ottawa

Challenges in obtaining funding for the project in its initial design led to fewer focus groups than originally envision and the use of various additional data collection methods to gain 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. The community roundtables were added when it was determined that the web-based survey alone was not sufficient to reach the smaller non-profit organizations.

The web-based survey was conducted in April and May 2005; key informant interviews were conducted in May and June 2005; leadership commentaries were collected from June through October 2005; community roundtables were conducted in August and October 2005; and focus groups were conducted in October 2005. As the findings from each of the various data collection methods were analyzed, they were used to design questions and discussion points for the latter parts of the study.

Layout of Report

The report begins with a literature review to provide some context for the study and then reports the findings obtained using each of the different data collection methods. The study's findings are divided into two main sections: quantitative data collected by the survey and qualitative data collected through the key informant interviews, leadership commentaries, focus groups, and community roundtables. Appendix A contains a consolidated list of useful resources gathered from study participants. Appendix B contains the short biographies of the study's key informants. Appendix C contains an analysis comparing the responses of federally incorporated organizations to those of the larger sample. Appendix D contains a sub-sector analysis.

Terminology

The use of the term "board" in this report refers to non-profit or voluntary boards unless stated otherwise.

In many non-profit organizations the most senior staff person has the title of executive director while others are called the CEO or president. This report will use the term "CEO" to refer to the most senior staff person heading the organization.

In many non-profit organizations the elected leader of the board is either the board chair or president. This report will use the term "chair" to refer to the lead director.

This report also uses the terms "non-profit sector", "voluntary sector", and "non-profit and voluntary sector" interchangeably.

2. SIGNIFICANCE OF STUDY

This governance study represents a unique database of Canadian non-profit governance practices, identifies trends and issues that affect governance of Canada's non-profit organizations, and provides an inventory of successful governance practices that can be shared across the sector. Furthermore, it explores ways to measure the effectiveness of non-profit boards.

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, boards are coming under pressure to be more effective in their strategic and governance roles. Board members are seeking better tools with which to govern and organizations are becoming more aware of the strategic benefits of utilizing the skills and expertise of their board members.

The non-profit sector in Canada is a significant contributor to the Canadian economy. According to Statistics Canada, in 2003, there were approximately 161,000 non-profit and voluntary organizations posting $112 billion in revenues. One-third of this figure was accounted for by hospitals and higher education organizations. Smaller organizations involved in sports and recreation, social services, professional associations, religion, environment, development and housing, and arts and culture contribute about $75 billion to Canada's economy each year. As well, these organizations draw on over 2 billion volunteer hours and more than $8 billion in individual donations.[7]

With a greater understanding of the issues and challenges faced by non-profit organizations and the successful practices that exist, this research study provides an opportunity to learn from the experiences of a broad cross section of organizations in the non-profit sector that have faced similar issues.

The aim of this study is to gather information that will assist non-profit and voluntary sector boards across the country become more effective in their governance roles. While other studies have identified various issues and challenges faced by the non-profit sector, none has offered a comprehensive set of solutions or successful practices to deal with those issues and challenges. In addition, it is hoped that the research findings will influence funding agencies and government policy makers in developing more meaningful policies for non-profit and voluntary organizations.

[7] Cornerstones of Community – Highlights from the National Survey of Nonprofit and Voluntary Organizations (NSNVO) – Statistics Canada – 2003

3. LITERATURE REVIEW: RECENT TRENDS IN BOARD GOVERNANCE

The Canadian voluntary sector is diverse and expansive, comprising approximately 161,000 non-profit and charitable organizations. In 2003, these groups employed over 2 million paid workers, engaged more than 19 million volunteers, posted $112 billion in revenues (Statistics Canada 2004) and accounted for almost 10%[8] of the Gross Domestic Product. Over the past decade, there have been significant shifts in the environment in which voluntary sector organizations in Canada work, including legislative changes, new funding regimes, greater demands for accountability, and evolving relationships with business and governments (Government of Canada 1999a).

As the voluntary sector has gained more prominence and cohesion as a sector, it has captured the attention of governments, educational institutions, business, and the public at large. Not only has there been considerable interest from the academic research community but many professional associations, leadership organizations, and networks have dedicated significant resources to understanding and improving board governance. While this review focuses primarily on recent Canadian literature with a national and cross-sector scope, in the course of this study, we have also gathered many excellent resources that have been generated by sub-sectors, specific communities, or by individual organizations, which are listed elsewhere in this report.

The literature reviewed falls within five main clusters:

1. Governance and Organizational Effectiveness
2. Roles, Responsibilities, and Evaluation of Boards
3. Accountability and Risk Management
4. The Impact of the Changing Environment on Board Governance
5. Orientation and Training for Board Members

Significant attention to non-profit governance was first drawn by the 1999 Broadbent Report, which highlighted the challenges of board governance in the voluntary sector. These were echoed by the Auditor General of Canada, who emphasized the importance of good governance practices in relationship to effective organizational performance and accountability for efficient expenditure of public funds.[9] Moreover, several studies point out that good governance practices are important for effective organizational performance. For example, the Princess Margaret Hospital Foundation and the Canadian Comprehensive Auditing Foundation (CCAF) (2001) developed criteria for determining the effectiveness of boards, which suggest that effective boards:

- are comprised of people with the necessary knowledge, ability and commitment to fulfill their responsibilities;
- understand their purposes and whose interests they represent;

---

[8] Canada's GDP in 2003 was $1,126.4 billion (source: http://www.nrcan.gc.ca/statistics/factsheet.htm)
[9] As quoted in Gil (2001)

- understand the objectives and strategies of the organization they govern;
- know and obtain the information they require to exercise their responsibilities;
- once informed, are prepared to act to ensure that the organization's objectives are met and that performance is satisfactory; and
- fulfill their accountability obligations to those whose interests they represent by reporting on their organization's performance.

These criteria reflect new trends in governance of non-profit organizations. The trends having the most impact on the operations of non-profit organizations and their boards include: shifting focus of a board's involvement from operational to strategic, increasing requirements for transparency (e.g. communication to members, stakeholders and the public), fiscal responsibility, accountability and clarity of board members roles and responsibilities (Government of Canada 1999a: 24). For instance, the shift from operational to **strategic boards** has an impact in terms of the relationship between the board and the CEO or senior staff. Boards are moving away from receiving all information about an organization's operations to requesting targeted information related to key strategic issues.

Others have explored, not the discrete governance ***models,*** but the interdependent ***modes*** that, when appropriately balanced, reinforce governance as leadership. In a recent publication of BoardSource (Chait et al 2005), three modes of governance are explored:

Type I	the **fiduciar*y*** mode, where boards are concerned primarily with the stewardship of tangible assets
Type II	the **strategi*c*** mode, where boards create a strategic partnership with management
Type III	the **generativ*e*** mode, where boards provide a less recognized but critical source of leadership for the organizations

Vic Murray, Associate Profession at the University of Victoria describes, in his recent paper (Prescriptive and Research-Based Approaches to Non-Profit Boards: Linking Parallel Universes, 2005), the main elements of the governing process as follows:

- **The board's roles and responsibilities** [as distinct from those of the organization's CEO (if any), staff or volunteers].

- **The board's structures and operating procedures**. This refers to such questions as how large the board should be, what offices and committees it should have, meeting rules, agenda setting practices, etc.

- **The composition of the board**. This refers to how board members are selected, trained and terminated and the overall make up of the board in terms of various background characteristics of members.

- **The nature of the board's informal culture** including the leadership style of its most influential members such as the Chair, CEO and others. This refers to usually unspoken, taken-for-granted, beliefs about how the board should operate.

A trend towards **transparency** also has implications for a number of areas of board operation. It requires recruiting board members not on the basis of personal relationships with existing members, but based on their skills and influence as they relate to the organization's strategic focus and direction. A number of organizations have started designing a skills matrix and a profile, ensuring age and gender balance for new members. Some increasingly seek out characteristics that match the community in terms of demographics, multicultural composition and specific populations that require representation (Princess Margaret Hospital Foundation and CCAF 2001).

Transparency of communication involves holding formal orientations, sharing relevant financial information with the entire board, specifying and respecting term limits (Volunteer BC 2002:7), and regularly evaluating a board's skills against a long-range plan. It is often the case that with changing circumstances, the board may require adding new skill sets and possibly different board members (Princess Margaret Hospital Foundation and CCAF 2001). As noted in the Public Policy Forum (2002), it is now widely accepted that boards determine the competencies, skills and personal qualities required in new board members, giving due regard to diversity in background and experience.

Boards also face a need for greater accountability, fiscal responsibility and effectiveness demonstration (Hall et al 2003). A number of reports on governance trends note the increasing importance of **internal assessment** of performance of board members. For example, Toronto Stock Exchange (2002) guidelines recommend that every board of directors of publicly listed companies implement a process for assessing the effectiveness of the board as a whole and the committees of the board, as well as the contribution of individual directors. Treasury Board guidelines also recommend assessing effectiveness of board members. The "Beyond Compliance: Building a Governance Culture" report states that board members should be accountable and that the results of the Board's overall assessment be reported to the full board, while individual assessments be given to the directors themselves.

An additional recommendation was offered in the U.S. National Association of Corporate Directors (NACD) Blue Ribbon report: "an evaluation process [should] be conducted in stages – building from an evaluation of the CEO to a full board evaluation, assessments of individual Directors and, finally, peer evaluations. To evaluate itself, a board should develop an inventory of its specific duties, goals and objectives, measuring its performance against those responsibilities. In all cases, the evaluation should lead to a clear understanding of what the board must do to become a strategic asset."[10] Moreover, Furr and Furr (2000) argue that an effective, regular board and director evaluation process can serve as a "roadmap" for board development. They suggest that such a process can:

[10] As quoted in Public Policy Forum Report 2002

- Focus attention on the key factors which can improve board performance;
- Shift the board's paradigm about what it should be doing;
- Enhance the effectiveness of the working relationship with the CEO; and
- Increase motivation of Directors to learn, change and develop the board's practices and the behavior of Directors.

This reflects another interesting trend, which was identified in the report "Assessing Performance: Evaluation Practices and Perspectives in Canada's Voluntary Sector" (2003). About 73% of voluntary organizations in Canada conduct evaluations for internal reasons such as performance improvement. With respect to board evaluation, the assumption is that after the board sees the results of its own data summarized, and the "best practices" are presented, the directors will be able to start action planning to lay a course forward (Furr and Furr 2000).

Besides internal accountability, the joint study of The Princess Margaret Hospital Foundation and CCAF (2001) revealed the importance of another aspect of accountability - **accountability before donors**. The report states "this accountability to donors pivots on five matters:

- The money is being used for the purposes for which it was given;
- The money is being used well;
- What has been produced, for example, by way of excellent research, breakthroughs, facilities;
- The outcome of what has been produced in terms of, for instance, improvements in patient care; and
- As applicable, the economic value flowing back to the Foundation from commercialization of intellectual property arising from supported research."

The report recommends that boards establish a policy on accountability, which would engage the board in ensuring an effective accountability process – to itself, donors and other external stakeholders, and establish performance reporting principles (p. 4). A few boards that adopted this recommendation and developed the accountability policy and measures of success already note major improvements in their board and organizational performance (Ewell 2002).

The drive toward accountability of non-profits and being businesslike in managing their affairs increased concerns of volunteer board members about their ***personal liability***. Risk is an issue that has often surfaced in discussions with board members. Volunteer Canada's 2001 study "Director's Liability: Legal Liability, Risk Management and the Role of Directors in Non-Profit Organizations" pointed out that board members need to understand the risks involved in the position so that he or she can act reasonably and appropriately. Board members need to act in a way to manage risks and minimize personal liability. The study recommends avoiding or reducing liability through risk management and liability insurance for directors.

Another study, "Risky Business" by the Non-profit Governance and Management Centre, recommends that for effective board governance, careful policy formulation should come before program development. This study suggests that this principle should also apply to the non-profit board's role in managing risk. The process of identifying potential risks and implementing strategies to address them should continue within all major operational areas. Establishing a risk management policy thus must be a priority for an organization and begins with examining the board's governance activities and the common law duties owed by each and every board member.

Concerns about liability and risks increased requirements with regard to clarity about a board's role and responsibilities. However, despite an increasing number of non-profit organizations, including healthcare organizations and systems, which utilize conflict-of-interest statements for their board members, research has shown an overall lack of consistency and quality in conflict-of-interest statements (Ewell 2002). Furthermore, those boards that have undertaken strategies to improve public policy have found themselves concerned about the amount of advocacy they can undertake without putting their charitable status at risk (The Institute for Media, Policy, and Civil Society - IMPACS 2002). Concerns about liability and risk also requires regular review of the performance of the executive director as it relates to the organization's stated goals and expected outcomes.

Changing requirements to **board structure** also influence the operation of non-profit organizations. The focus is now on smaller boards in order to ensure effectiveness and involvement of each board member. The Princess Margaret Hospital Foundation and CCAF (2001) report suggests that the issue of board size requires balancing two important governance effectiveness considerations. These include the need to include diverse perspectives, backgrounds and expertise and the need to keep board size manageable to facilitate open and effective dialogue and the full participation and contribution of each director (p.27).

Changes in the **funding structures** (e.g., moving away from the funding of core operations to project and program funding) have also affected the way in which organizations can realistically engage in long-term planning (Scott 2003). New funding regimes place new requirements on boards for being involved in fundraising according to one's means, talents and contacts. This trend is also supported by public opinion. Thus, expectations of private donors across North America with respect to the roles of Board members are rising.

The impact of the devolution of local services on the **recruitment** and retention of governance volunteers is outlined in a study by the Coalition of Ontario Voluntary Organizations (Christensen, Andrew, Bedore, and Silcolff, <u>Government, Governance, and the Non-profit and Voluntary Sector in Ontario</u>**,** 2005). Two thirds of the respondents felt that "local services realignment has increased the pressure on non-profit organizations to drift from their mission and mandate in order to obtain funding" and that this has made it difficult for board members "to maintain a focus on the missions of their respective organizations." Other issues raised that affect the recruitment of skilled board members were:

- The competition for board members who are experienced, skilled (e.g. in fundraising or strategic planning) or influential and well-connected;
- Concerns about liability;
- The lack of younger people willing to sit on boards; and
- The reluctance of volunteers to make long-term commitments.

Not only external factors influence non-profit board governance practices in Canada. Gil (2001b:4), in the study of the relationship between organizational characteristics of a non-profit and its governance forms, revealed that internal factors also have a significant role to play in determining governance regimes of non-profit organizations. These included: "ownership" structure of the non-profit; different processes for board selection; the impact of size, complexity and geographic scope; mandate; financial circumstances; organizational history; personal and political agendas; and others. For example, the study found that the size and complexity of an organization play the most important role in determining the governance model employed by the organizations studied. Boards of larger and more complex organizations, which are reliant on professional management and staff, are more likely to adopt a "strategic governance" style of involvement, while boards in smaller organizations more often adopt "operational management" style. These relationships point to the necessity for attention to be paid not only to external but also internal factors influencing non-profit governance arrangements and practices in Canada.

By scanning websites of national, provincial, territorial, and local organizations, we found that the voluntary sector is rich with customized tools and resources to provide initial **orientation and training** to their board members. Community Foundations of Canada developed a Policy Guideline and Template Manual to “ensure good governance practices” (Community Foundations of Canada 2004), The Canadian Healthcare Association has a range of publications including “New on Board: Essentials of Governance for Hospital Trustees.”

In Talking about Charities (Muttart Foundation 2004), close to 4000 Canadians were surveyed on their attitudes and perceptions about charities including their familiarity and perceived importance; their trust and confidence; their views on funding and donations; their views on fundraising and spending practices; advocacy activities; provision of information; their opinions about the need for greater accountability; and their views on business activities. Key findings included very high recognition of the importance of the charities (97%) and a high level of trust in charities (79%), with hospitals being the most trusted (88%). In addition, findings indicated that most Canadians (95%) feel that more attention should be paid to the way charities spend their money and (88%) raise money, and “two thirds think that there should be an independent organization or agency monitoring the activities of charities.“

Although there have been several studies on different aspects of corporate and non-profit governance in Canada, the gap remains significant. This research makes an important contribution to our understanding of non-profit board governance practices in Canada by establishing baseline information on current board governance practices, exploring key trends and challenges and ways to measure accountability of non-profit organizations and their boards, and identifying successful practices of boards primarily in the non-profit and voluntary sector.

4. STUDY METHODOLOGY

In addition to the literature review, data for this study was collected using the following five methods:

- Web-based Survey
- Key Informant Interviews
- Leadership Commentaries
- Focus Groups
- Community Roundtables

Web-Based Survey Distribution

The survey was distributed to approximately 15,000 organizations across Canada. There are several impediments to establishing a precise number of individual board members and senior staff reached due to the overlap in distribution lists as well as the difficulty in counting website visits. The survey announcement was posted on the websites of the Research Advisory Council members and through the websites/portals and publications of the following organizations:

- Strategic Leverage Partners Inc.
- Centre for Voluntary Research and Development
- Institute of Corporate Directors
- Ontario Hospital Association
- Health Partners
- Volunteer Canada
- Canadian Educational Standards Institute
- Canadian Federation of Voluntary Sector Networks
- The Ottawa Chamber of Voluntary Organizations
- Bridgeway Foundation
- The Muttart Foundation
- Voluntary Sector Forum
- The Council for Business and the Arts in Canada
- Canadian Healthcare Association
- Association for Healthcare Philanthropy
- Philanthropic Foundations Canada
- Laidlaw Foundation
- The Maytree Foundation
- Voluntary Sector Portal
- Altruvest Charitable Services
- Charity Village
- Community Services Council Newfoundland (enVision.ca)
- Communities of Inquiry
- Longwoods
- Charity Channel
- Imagine Canada
- Council on Foundations
- Canadian Society of Association Executives
- Canadian FundRaiser

The survey announcement was available in both English and French. Most of the distribution vehicles were in English (with links to the survey in two languages). The survey was distributed in French in Quebec through the Federation member Fédération des centres d'action bénévole du Québec; in New Brunswick through Policy Link New Brunswick; and throughout Canada through Volunteer Canada.

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 affecting the efficiency and effectiveness of boards identified in the literature review and raised in Research Advisory Council discussions. The key informants selected for this study are individuals known for their leadership in the area of governance. They are knowledgeable about key trends and issues that impact board governance in the non-profit 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. Five key informants were selected from a list provided by the Research Advisory Council, Strategic Leverage Partners and the Centre for Voluntary Sector Research and Development.

Leadership Commentaries

In addition to face-to-face interviews with the key informants, a number of leaders in the voluntary sector, academia and governance from across the country were asked to comment on the trends in the Canadian non-profit and voluntary sector and 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. The leadership commentaries were provided by individuals selected from a list provided by the Research Advisory Council and the project partners.

Focus Groups

Focus group discussions were held in Toronto, Ottawa, and Halifax to supplement what was learned in the survey, key information interviews and leadership commentaries. Focus group participants were asked to add to previously identified trends in the non-profit sector and identify challenges faced by their non-profit organizations and boards. Focus group participants were also asked to share successful board governance practices; strategies for increasing board engagement, effectiveness, and accountability; and tools and metrics to measure board effectiveness.

Invitations to participate in the focus groups were distributed through a number of channels, including the networks of RAC members and their organizations; SLP and CVSRD networks and websites; the United Way of Halifax network; the ICD newsletter, and a Village Vibes article on the project.

Eighty individuals from across Canada submitted focus group applications. Thirty-seven were selected to participate in the three focus groups held in October of 2005. While the initial intent was to host ten focus groups across the country, funding limited the research to three centres. Some western perspective was gained from one of the community roundtables, some of the leadership commentaries, and one of the focus groups held around a national conference. In addition, focus group applicants from western Canada who were unable to attend a focus group in person were asked to fill in a questionnaire to provide their input.

Community Roundtables

Community roundtables were held in Edmonton and Montreal to target smaller, grassroots and community based organizations, many of which have no staff, to determine the key issues and challenges they are facing and how they play out in a local context. These were added to the methodology when it became clear that the survey was not successful in reaching these smaller organizations.

Invitations to participate in the Edmonton community roundtable were distributed through the Edmonton Chamber of Voluntary Organizations. Invitations to participate in the Montreal community roundtable were distributed through CVSRD's network.

5. WEB-BASED SURVEY

The Survey of Board Governance Practices in the Canadian Non-Profit and Voluntary Sector was conducted from April 11 to May 17, 2005 and was distributed to approximately 15,000 non-profit organizations across Canada.

Participation in the survey was voluntary and anonymous. The survey was intended to provide a sense of non-profit board governance practices in Canada, using a non-scientific sampling, i.e. sampling was not random.

Responses were received from 1,319 (1,252 in English and 67 in French) total respondents. It was a lengthy survey and respondents were not required to answer every question. Therefore, the number of participants that answered individual questions varied throughout the survey. The percentages shown in the analysis that follows relate to the number of responses to a particular question.

Some questions asked participants to check all that applied from a number of potential responses to the question. Given that it was impossible to determine whether a particular question did not apply to a survey participant or if the participant simply skipped the question, the responses to these questions are shown as a percentage of the total number of respondents that checked off any of the responses listed.

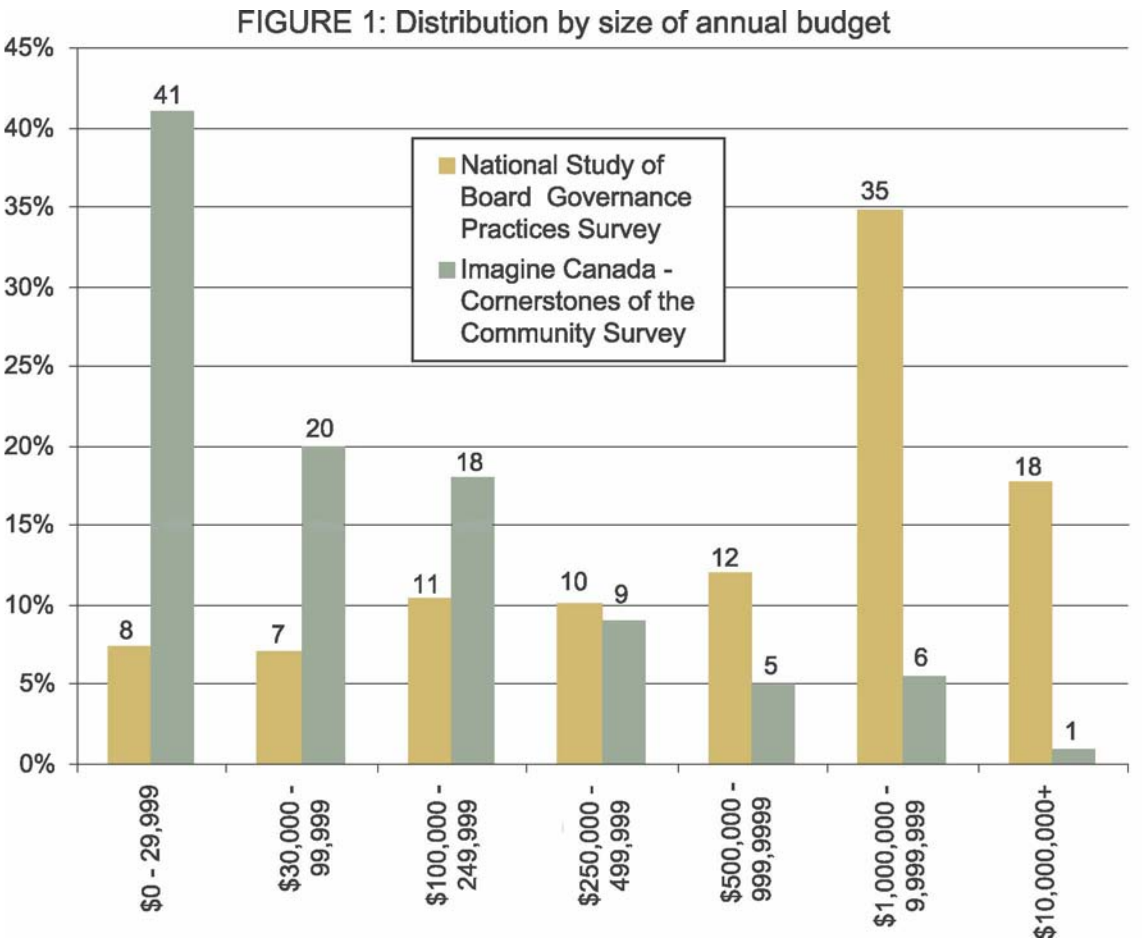
The survey also included a number of opportunities for participants to provide comments. The researchers have made an effort to capture the comments below as, in many instances, they add considerably to the quantitative data.

Survey Sample Description

A. Size, Sector, and Geographic Distribution

The survey asked a number of questions to determine the size, sector, and geographic distribution of the survey participants.

Figure 1 shows the distribution of survey responses by size of annual operating budget. With respect to the annual budget, the largest category of participants (35%) represents organizations with budgets from $1 million to nearly $10 million; the second largest category (18%) represents organizations with annual budgets of $10 million or more. Organizations with budgets less than $100,000 represent about 15% (8% for the organizations with budgets $0 - 29,999 and 7% for those with budgets of $30,000 - 99,999 respectively).



During the analysis of the sample distribution, it was noted that the representation of organizations with budgets under $100,000 was well below that found in Imagine Canada's[11] 2003 Cornerstones of the Community Survey[12]. Imagine Canada's survey

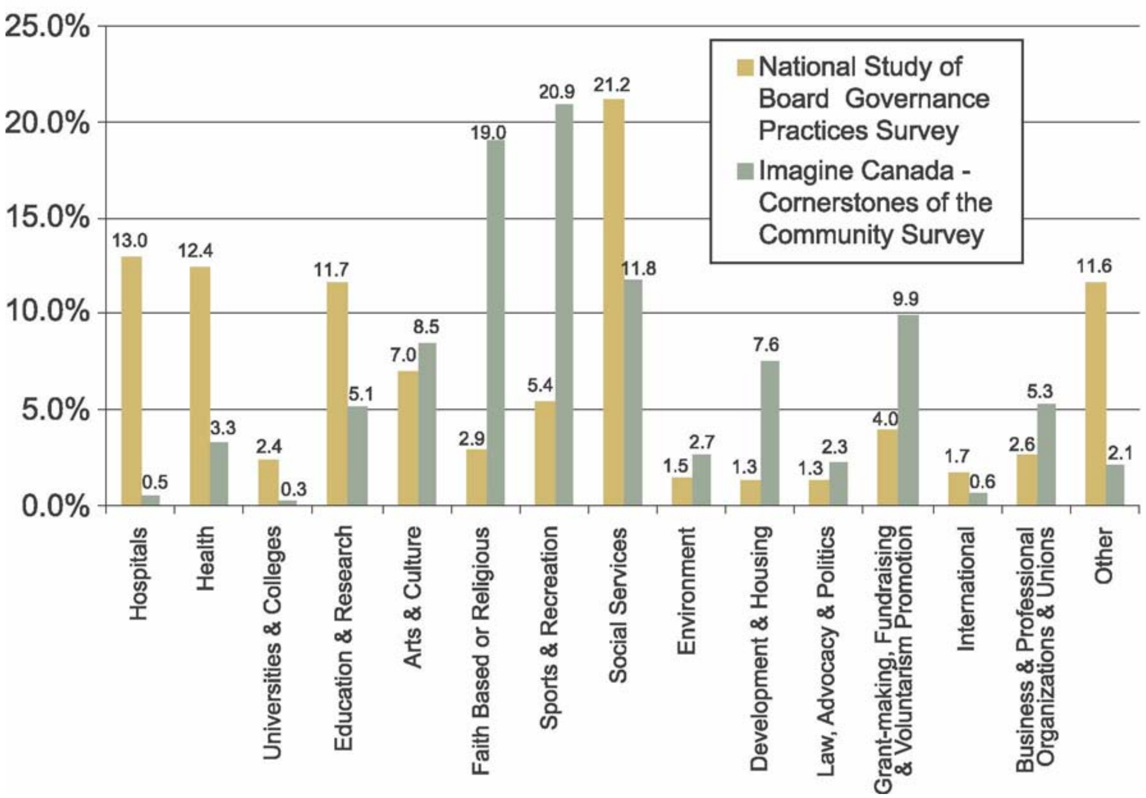
[11] Imagine Canada was previously the Canadian Centre for Philanthropy

[12] 2003, Statistics Canada, Cornerstones of Community: Highlights from the National Survey of Nonprofit and Voluntary Organizations

found that organizations with revenues of less than $30,000 made up 41% of non-profits and organizations with revenues between $30,000 and under $100,000 make up 20% of non-profits. It was concluded therefore that the survey responses were unlikely to be representative of smaller organizations. Therefore, responses from organizations with budgets under $100,000 were culled from the findings reported here.

Figure 2[13] shows the distribution of responses across the various sub-sectors. The largest category of organizations represents social services (21%). Hospitals (13%), Health (12%) and Education and Research[14] (12%) are represented in the survey at a similar level. Other areas covered include: Arts and Culture (7%), Sports and Recreation (5%) and Grant-making, fundraising and voluntarism promotion (4%). The remaining categories comprise about 25% of all non-profit and voluntary organizations (with 12% being in the "Other" category).

FIGURE 2: Non-profit sub-sector distribution



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[13] Web-based survey data does not include organizations with revenues below $100,000

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

Figure 3 shows the distribution of participants across all sub-sectors by size of the organization's annual budget. In most sub-sectors, organizations with budgets of $1 to $9.9 million represent the largest group of respondents. In the Hospital and Universities & Colleges sub-sectors, organizations with budgets over $10 million represent the largest group of respondents. In the Business and Professional Organizations & Unions and the Development & Housing sub-sectors, organizations with budgets from $100,000 to $249,999 represent the largest group of respondents.

FIGURE 3: Distribution across sub-sectors by annual budget

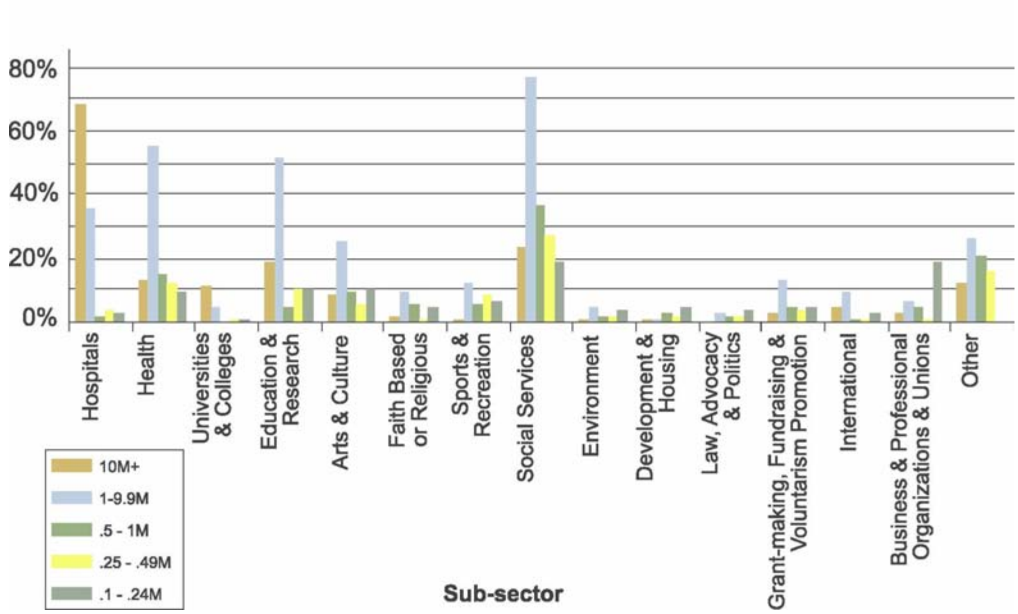
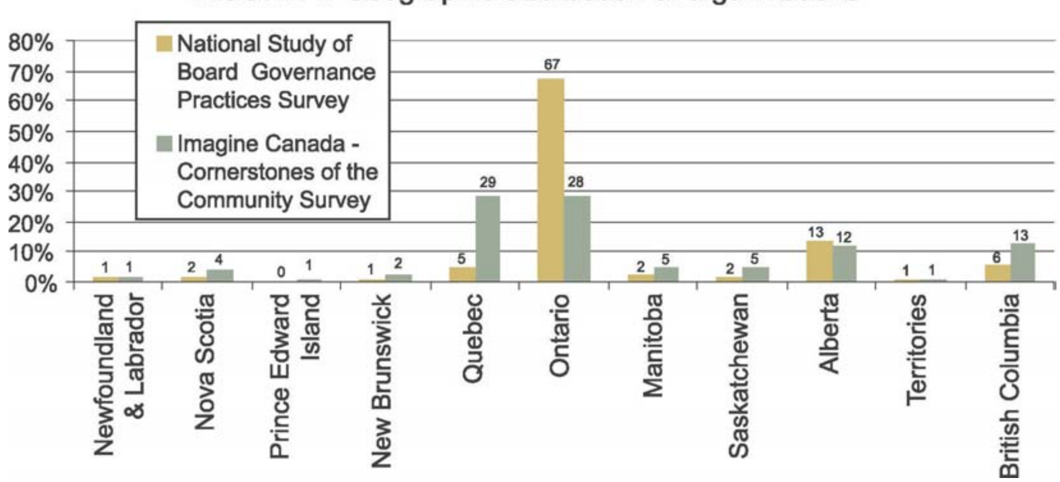


Figure 4[15] shows the distribution of respondents from across the county by postal code regions. The largest group of respondents were from Ontario (67%), followed by Alberta (13%) and British Columbia (6%).

FIGURE 4: Geographic distribution of organizations



[15] Web-based survey data does not include organizations with revenues below $100,000

B. Characteristics of Organizations Represented

Figure 5 shows the distribution of organizations by geographical scope. The largest group represents organizations that are local or municipal (50%), follow by regional organizations (32%) and provincial organizations (27%).

FIGURE 5: Scope of organizations

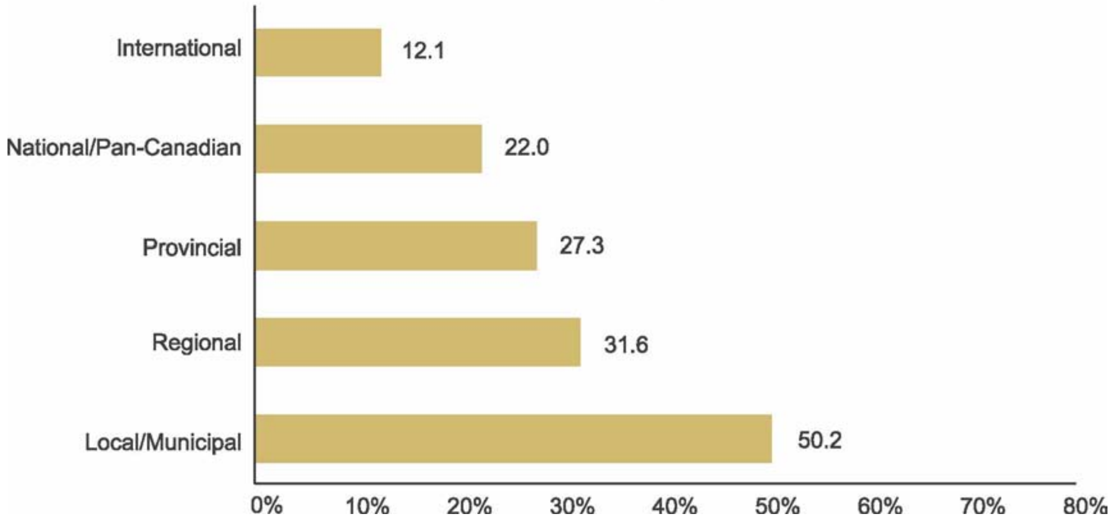


Figure 6 shows the distribution of organizations by incorporation status. Sixty-seven percent (67%) of the sample are provincially incorporated, 27% are federally incorporated organizations, and 7% are not incorporated.

FIGURE 6: Incorporation status of organizations

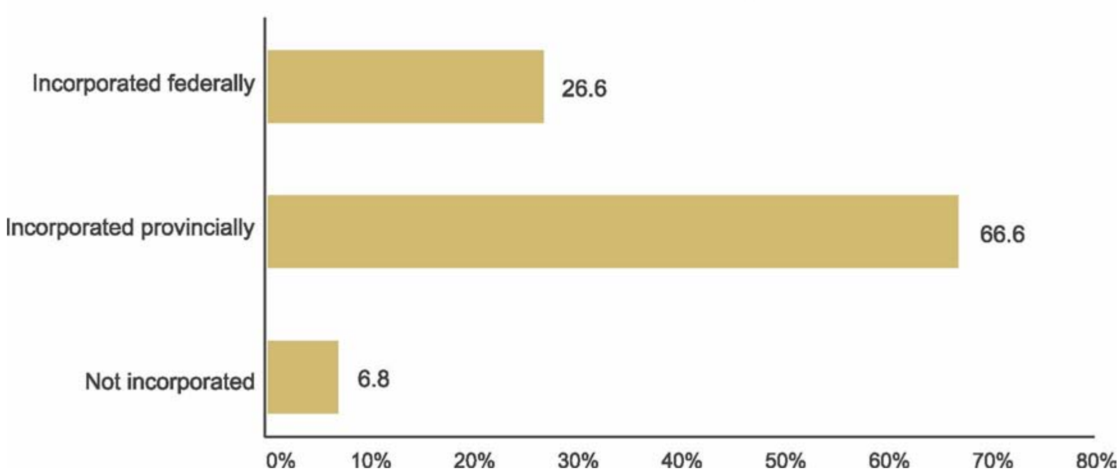


Figure 7 shows the distribution by age of organizations. The largest group is organizations that have been in existence for over 40 years (35%), followed by 20 - 29 years (20%) and 10 - 19 years (18%). Newer organizations were less well represented.

FIGURE 7: Age of organizations

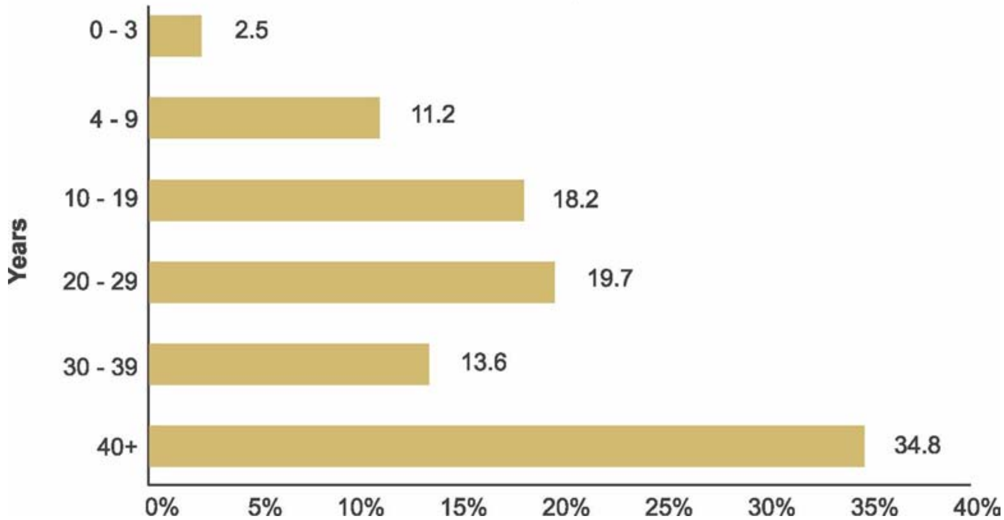


Figure 8 shows the distribution by number of staff. Organizations with 100+ staff were the largest group in the sample (24%), followed by 25 - 99 (21%) and 1-4 (21%).

FIGURE 8: Size of organization as determined by the number of staff (full time equivalents)

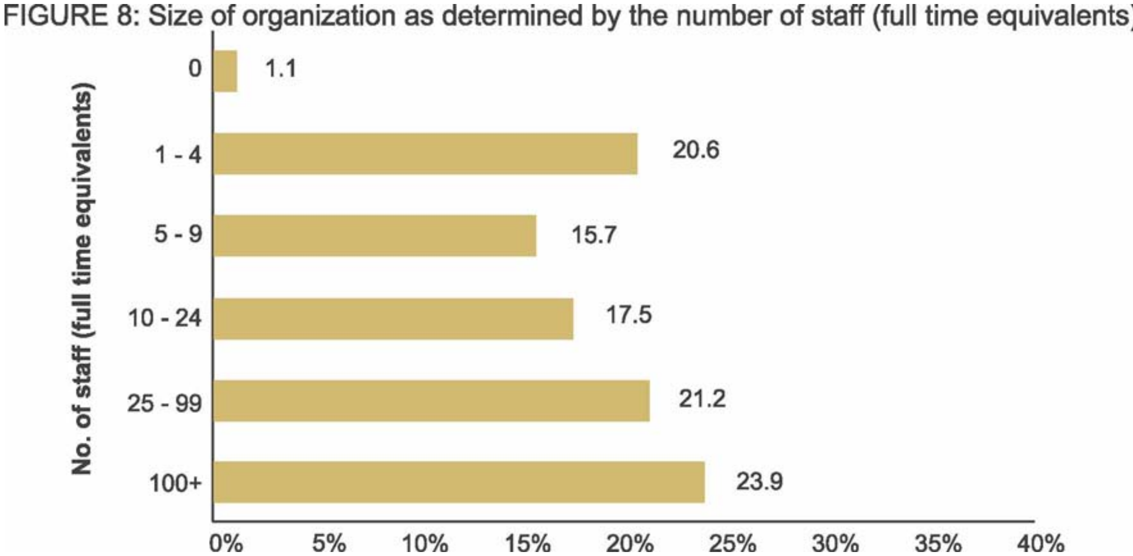
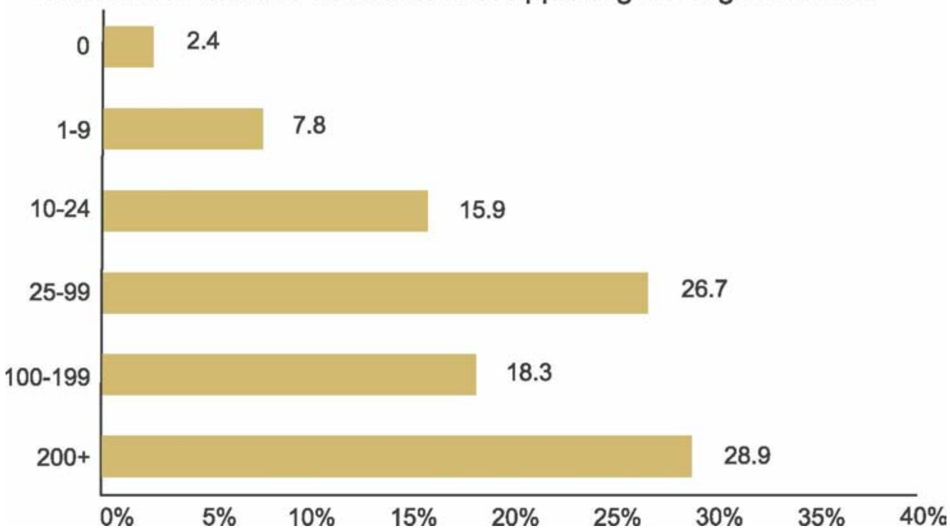


Figure 9 shows the distribution by number of volunteers. Organizations with 200+ volunteers make up the largest group (29%), followed by those with 25 - 99 volunteers (27%). Organizations with fewer than 10 volunteers represent 10% of the sample.

FIGURE 9: Number of volunteers supporting the organizations



82% of the organizations indicated that they were registered charities.

C. Characteristics of Respondents

Table 3 shows the distribution by role of the respondent within their organizations. Fifty percent (50%) of respondents were board members, while 37% were the senior most staff person in the organization. Among board members, board chairs, and committee chairs represented 15% and 7% of total respondents, respectively.

TABLE 3: Role of the respondent within organization

What is your role?	# of responses	Percentage
Board Chair/Board President	115	14.8%
Committee Chair	56	7.2%
Board Member	216	27.8%
President/CEO/Executive Director (ED)/ Head of School/Dean	289	37.2%
Other	102	13.1%
Total	778	100.0%

Others who responded to the survey include:

- staff roles such as: director/manager of development, director/manager of operations/programs/volunteers/marketing/communications/training/research, chief of nursing/medical staff, VP of finance/CFO, board secretary, general counsel, executive/administrative assistant,
- board roles such as: past chair/president, vice chair/president, committee vice chair
- consultants, students, client advocates, volunteers

Fifty-five percent of respondents (55%) sat on more than one non-profit board.

Lay of the Land – Current Governance Practices

A. Board Structure

The most common **board structure** reported was a single board that oversees a single entity (52%), followed by a single board that oversees a corporate entity and foundation (20%), parallel corporate and foundations boards (19%), a foundation board that reports to a corporate board (3%), mirror boards (2%), and other (2%). ***Further analysis showed that the larger organizations with budgets over $10 million had a larger percentage of parallel corporate and foundation board structures (48%) than the overall sample.*** A large component of those with budgets over $10 million is the hospital sub-sector.

When respondents were ask to describe the **organization's reporting structure**, the most frequent answer was that the CEO reports to one board (90%), followed by the CEO reports to multiple boards (4%), the CEO reports to the CEO of a higher authority (1%), and other (5%). Some respondents represented organizations that have no staff or CEO; that are run by volunteers or the board chair, or where the board manages operations. Some organizations have staff but no CEO.

After a merger, 81% of organizations merged their boards while the other 19% maintained two independent boards.

For those that identified themselves as **multi-level organizations,** 36% reported that they have boards at each level, while the other 64% reported that they have a single board that oversees the entire organization.

B. Board Composition

The most common **board size** was 10 - 15, as reported by 50% of respondents, followed by 16 - 25 (24%), under 10 (22%) and over 25 (4%). When asked their opinion about the size of the board, 82% of respondents indicated that they felt that the size of the board was appropriate to the board's role, while 13% thought the board was too large and 5% felt the board was too small. ***Further analysis showed that the smaller organizations, as measured by budget size or number of staff, reported a greater percentage of smaller boards and the larger organizations reported a greater percentage of larger boards.***

Many boards have **designated board members** who are board members by virtue of their position within the organization. In cases where boards had designated board members, 83% felt that these board members were not compromising the board's ability to govern the organization effectively. Reasons given by the 17% that disagreed included the following: conflict of interest; loyalty was not always with the organization but with the group they were appointed by; lack of necessary skills, competencies and training; role unclear; numbers made the board large and ineffective; not engaged or actively participating as evidenced by poor attendance; lack of new ideas and board renewal; poor financial contributors.

Of the committees listed, the executive committee was the most common **standing board committee** reported by individuals (70% of those who indicated any of the standing committees listed). This was followed by the nominating committee (62%), finance committee (57%), governance committee (43%), audit committee (41%), development/fundraising committee (39%), communications committee (23%), compensation committee (15%), and investment committee (13%). Forty-nine percent (49%) of those who answered this question reported they had other standing committees than those listed.

When asked, 79% of respondents felt that the **current committee structure** adequately facilitated the board's efforts to undertake its governance work. ***Further analysis showed that the larger the organization, as measured by budget size, the higher the percentage of respondents who felt the committee structure facilitated the board's efforts.***

For those that felt that the committee structure did not adequately facilitate the board's efforts, the reasons given included: too many committees or not enough of the appropriate committees; committees need clearer mandates and terms of reference; committees involved in staff work thus need for role clarity between board and staff roles; need for better integration and information flow between committees and board; insufficient staff/resources to support committees; committees require extra time of board members and there are not enough members on the committees; lack of accountability in committee structure; lack of transparency in decision making; and committees not independent enough.

When asked to select from a list of **areas of expertise needed to be added to the board**, the most frequent expertise reported by individuals was marketing and communications (52% of those that indicated any need). This was 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%). Sixteen percent (16%) of those that indicated a need, reported that their need was in other areas such as:

- Governance, policy governance
- HR, staff hiring, organizational development
- Legal, charitable tax law, labour law
- Fundraising, fund development, grant writing, foundation development
- Advocacy, political contacts, influencer in the business community, media contacts
- Nursing, health care, clinical work
- Industry knowledge, agency services background, immigrant issues,
- Research, planning, marketing, process, due diligence, business, diversity
- Property management, facilities, operations, project coordination, redevelopment, program evaluation
- Strategic thinkers, people who can communicate with the community (externally and internally)
- Francophone

When asked about board members' **financial expertise**, 31% of respondents reported that more than 75% of the board has the ability to read and understand financial statements, 26% reported that 51 - 75% have that ability, 28% reported that 25 - 50% have that ability, and 15% reported that less than 25% have that ability.

When asked if board members had the skill set necessary to evaluation a potential merger, 53% reported that their board has the necessary skills, 29% reported that they do not, and 18% were unsure.

C. Board Processes, Policies and Procedures

When asked to check all that applied with regard to the **board's focus**, 62% of those who responded to this question reported that the board is focused on governance and the staff are focused on operations, 40% reported that the board is beginning to focus on governance issues, 17% reported that the board focuses mainly on operations and 12% reported that the staff and the board are unclear as to their respective roles and responsibilities. ***Further analysis showed that there is a correlation between those organizations beginning to focus on governance issues and the number of staff the organization has.***

Staff members regularly participate in board meetings. Fifty-four percent (54%) of respondents reported that 2 - 5 staff members regularly participate in board meetings. In 36% of cases, 0 or 1 staff members participate regularly, and in 11% of cases, 5 or more staff members regularly participate. ***Larger organizations, as measured by size of budget or number of staff, tended to have more staff participate regularly in board meetings.***

Participants reported that 42% of organizations require **board members to sit on at least one committee** while 58% have no such requirement.

Of the list of **audit committee responsibilities** provided, ensuring the integrity of the financial statements was the most commonly reported (52% of those that indicated any of the responsibilities listed), followed by hiring and overseeing the auditor (43%), risk management (33%) and other (13%). Other responsibilities cited included: reviewing operational performance against the business plan; ensuring independence; assessing adequacy of internal and external financial controls; ensuring integrity of management; review of financial policies and cash flow; review of non-audit work of auditor; review MD&A, technology plan, compensation plan and investments, and consulting on product/service pricing. Many respondents reported that the duties listed under the audit committee are performed by the finance committee, executive committee, board or external auditors.

When asked about **skills assessment**, 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 those that assess their skill set, 52% have completed a formal assessment of the current board's skill set in the last 12 months; 15% have completed a formal assessment in the last 2 years; 6% have completed an assessment but not within the past 2 years, and 22% have not completed a formal assessment.

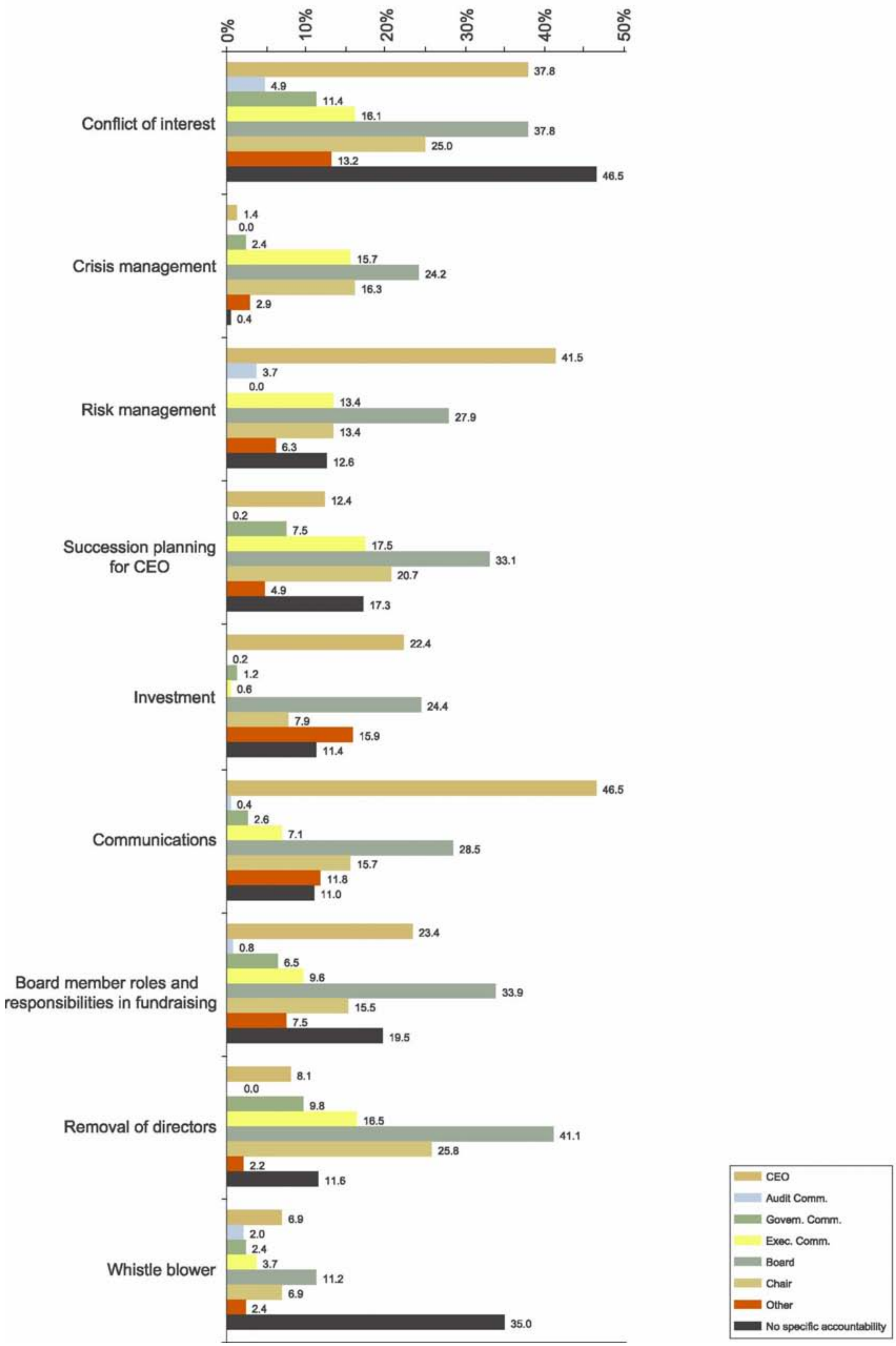
When asked if the **organization's policies and procedures provided sufficient guidance to govern the organization**, 72% of participants reported that they did provide sufficient guidance. The reasons given by the 28% that reported they did not include:

- No written policies; policy framework is informal
- Policies are old and out of date; need development of new policies
- Need policies for governance, succession planning, risk management, accountability, crisis management, investment, removal of directors, whistleblower, communication
- Need to document roles and responsibilities
- Board members require training and to read, understand and follow policies
- For many, policy development is an ongoing process

When asked about public disclosure, 66% of organizations reported that they **publicly disclose their processes and policies**.

Figure 10 shows who in organizations are responsible for monitoring the various policies and procedures.

FIGURE 10: Responsibility for monitoring of policies and procedures



When asked about the **length of board terms**, 22% of those who responded reported that board terms are not limited. Of those with limited board terms, 3 - 4 years was the most common (50%), followed by 1 - 2 years (31%) and more than 5 years (19%).

For those organizations with limited board terms, 48% allowed board members to serve 1 - 2 consecutive terms, 47% allowed 3 or more consecutive terms and 5% did not allow consecutive terms.

When asked about **board chair terms**, 32% of those who responded reported the organization did not limit board chair terms. When board chair terms were limited, 2 years was the most common (46%), followed by 3 - 4 years (25%), 1 year (19%) and more than 5 years (9%). It was most common to allow board chairs to serve up to 2 consecutive terms (41%), followed by 1 consecutive term (19%), 3 consecutive terms (15%), and more than 3 consecutive terms (10%). Fifteen percent (15%) of organizations did not allow board chairs to serve consecutive terms.

When participants were asked if board and executive terms were sufficient to ensure both fresh perspective and continuity, 82% responded that they were sufficient. For the 18% that reported they were not, their reasons include:

- No clear terms; terms should be limited; no limits has led to stale board, difficult for new members to break in; old boys club
- Tradition dictates that volunteer board members are kept as long as they will serve. This can lead to fatigue and lost perspective. This is balanced by continuity.
- Boards are chosen not elected
- Ten year term is too long
- Changing from one year with three renewals to two renewals
- Suggest shortening term to two years with provision to allow return after a one year absence
- Need to separate chair/CEO position
- Having difficulty attracting good people; have too few board members to seriously restrict terms of service
- Looking at reducing chair and vice chair terms to two years to invite fresh perspective and leadership
- Each year there is an election of officers – uncertainty as to who will be elected presents challenges
- Terms are not the issue, attracting diversity (geographical, industry, professional qualifications, etc.) is the limiting factor
- Lack of succession planning

When organizations indicated that they had **successions plans** in place, the plans were more often informal rather than formal. Of those who indicated they had succession plans in place for the board chair, 61% of those plans were informal. Seventy percent (70%) of those with board executive succession plans had informal plans; 84% of those with committee chair succession plans had informal plans; 62% of board members succession plans were informal; and 66% of CEO succession plans were informal.

When asked about the **board recruitment and succession planning processes**, 52% of those that responded to these questions reported that the organization had a formal recruitment process in place for new board members; 32% reported that they had a formal process for selecting and mentoring board and committee leaders; 58% reported that their recruitment process was effective and that they had a number of qualified prospects to choose from each year; and 31% reported having difficulty filling board seats.

More often recruitment is an on-going process (54% of those that responded to these questions), while for some (35%) recruitment is a once a year process for the organization. As part of the recruitment process, 78% reported that every effort is made to ensure that candidates understand the time and level of commitment required to carry out their duties. Sixty-seven percent (67%) reported that written roles and responsibilities are provided to prospective members. A small number of organizations (13%) reported that they have board members sign an annual affirmation statement that allows them to review the extent of the commitment they are making prior to re-election. Sixty-six percent (66%) reported that they would be in favour of having board members sign such a statement. Thirteen percent (13%) reported having difficulty removing board members. Reasons for having difficulty removing board members include:

- Lack of policy and unwillingness to deal with the issue
- Difficulty in finding new experienced, leadership members with the requisite skills; national members are difficult to recruit
- Board is elected in municipal election; board is elected by membership
- Difficult to fire volunteers in a small community
- Difficult to separate personal relationships from professional ones
- Founder relationships; old boys/girls club
- Fear of lawsuits
- Lack of time and funds to support on-going board recruitment and skill development
- Financial challenges, fundraising significant; entitlement, important fundraisers

When asked about **vacancies and challenges in filling board seats**, 44% of those who responded to these questions reported that they currently have no vacancies on the board while 50% have at least one vacancy. Thirty-eight percent (38%) reported that board candidates have declined nominations due to lack of time, concerns about their capacity and skills (13%), concerns about liability (7%) and interest in the mission or direction of the organization (4%). Comments provided related to vacancies and recruitment include:

- Potential candidates feel board is ineffectual and are uninterested in serving a poorly run organization
- Not enough people know about the organization yet
- Have competent candidates who serve on committees until a board seat becomes available
- Potential candidates must serve at least one year on a committee to ensure commitment and fit with organization
- Need specific diversity mix

- Informal selection based on relationships
- Difficult to bring new members into a group of long-standing board members
- Vacancies held open until thorough skill assessment performed
- Lack of money to hold meetings makes it difficult to keep members engaged and interested in organization
- Interest has improved with better financial stability
- As organization has grown in strength and good governance, it has become easier to recruit
- People want to be on board because:
  1. Belief in mission and vision
  2. Success of organization
  3. They learn a lot about governance and being a board member

When asked **how the organization orients new board members**, the most common response from a list provided was board manual (72% of those who responded to these questions), followed by facility tour (50%), formal orientation session with presentations (47%), mentors assigned to new board members (31%) and other (15%). Twenty-six percent (26%) reported that the organization had no formal orientation. Other forms of board orientation reported by respondents include:

- Informal meeting with board chair, CEO, board members, member of nominations committee, and/or strategic planning committee
- Educational sessions from province
- Staff presentations, introductions to senior staff with explanations of the roles of staff
- Handover meeting, teleconference
- External workshops, conferences, training sessions
- CD ROM presentation, Directors section on web-site, PowerPoint presentation
- OHA Effective Governance Course is mandatory
- Board retreat
- Invitation to participate in events
- Tour, site visits, meeting with clients, observe classrooms while in session
- AGM and strategic plan reports
- Combined with board annual review of performance and policies
- Attend one board meeting before joining the board
- Mentors

In some organizations **board members are required to complete an orientation session** (68% of those that responded to this question). Few said that new board members are asked to evaluate the orientation process (28%). When asked about the **length of time it takes a new board member to get up to speed**, the most common response was 6 months (44%), followed by 2 - 3 months (32%) and over a year (24%). ***Further analysis showed that there was a correlation between the organizations that required completion of an orientation session and the amount of time it took for board members to come up to speed.***

When asked how many **hours per year a typical board member engages in formal training for the purpose of ongoing education and development**, 82% responded 0 - 10 hours. The next largest group was 11 - 20 hours (14%), followed by 21 - 30 hours (3%), 31 - 40 (1%) and over 40 hours (1%).

When asked what **board training and development** included, the most common response from lists provided was retreats (72%), followed by external consultants (58%), seminars (57%), conferences (51%), courses (21%), and other (26%). A small portion (3%) reported attending the ICD and the McMaster director education programs.[16] Thirty-nine percent (39%) reported that board education and development are a part of each board meeting. Other forms of board training and development include:

- Internal education
- Staff presentations, site visits, field trips
- Education sessions at all board meetings
- OHA sponsored events, conferences and meetings
- United Way Governance Training and other programs
- University level Non-profit and Volunteer Management Certificate
- Board Match education sessions
- Retreats
- Mentoring, coaching
- Publications, books, governance newsletters, e-newsletters
- Expertise circles

When asked to **rate the ongoing training and development program**, 27% reported that there was no program available. Of those that reported having a program in place, 42% rated the program as satisfactory, 31% rated it as poor, 22% rated it as good, and only 6% rated it as excellent.

When asked about **governance expenditures**, 50% of respondents reported that no allocation of revenue is made for governance expenditures, 40% reported that 1-2% of revenue is allocated, 8% reported 3-5%, and 3% reported more than 5%.

When asked about the **number of board meetings per year**, ten was the most frequent response (30%), followed by 4 (13%), 6 (11%), 12 (10%), 5 (7%), 8 (6%), 11 (6%), 9 (6%), 3 (4%), 7 (4%), 2 (2%) and 1 (1%). When asked about the **length of board meetings**, 90 minutes – 2 hours was the most frequent response (45%), followed by 2-3 hours (26%), more than 3 hours (18%) and less than 90 minutes (11%).

When asked about the types of **board meeting policies** that organizations had, the most common policy was one requiring quorum for the decision making process (95% of those that reported on any of the board meeting policies listed), followed by a policy that clearly articulates expectations for board meeting attendance (69%), using a consent agenda to approve routine reports (46%), holding regular in-camera sessions (31%), and

[16] When focus group participants were asked about these programs, participants responded that these programs, to date directed at for-profit organizations, are too costly for non-profit organizations.

allowing board members who are absent to register their dissent to any issues that come up for a vote (21%). Further, 84% reported that they track attendance at board meetings and 50% indicated that they hold annual or semi-annual retreats.

When participants were asked **if board members should be compensated financially**, 17% said yes.

Reasons provided were:

- Re-imbursement of expenses including mileage and transportation costs
- It would improve accountability
- Attract more qualified members
- Large time commitment
- Risk and liability
- Time and skills are valuable and should be recognized

Reasons provided by those said no were:

- Non-profit/charitable organizations are based on voluntarism
- Conflict of interest
- Illegal in charitable organizations
- Do not want members who are there for the money
- People should be giving back to the community
- Re-imbursement for expenses only, not time
- No funds for this purpose

D. Evaluation and Assessment

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. When board evaluations are conducted, the process is most often facilitated by the governance committee (34%) followed by the board chair (29%), an external consultant (18%), another board committee (7%), and other (13%). Others who facilitate the board evaluation process include:

- Vice chair, board member with chair, past president
- Executive committee, nominating/board development committee, strategic planning committee
- Staff, staff with chair
- Board secretary
- Advisory team
- Use assessment survey, self-evaluation tool

Of a list of **measures used to gauge board effectiveness**, the most common was self-evaluations (39% of those who indicated any of the measures listed), followed by yearly goals based on organization's strategy (34%), financial metrics (13%), governance scores (12%), balanced scorecard (7%) and other (4%). Other measures cited include:

- Member satisfaction feedback, parent feedback, survey of users
- Success in finding new funding
- How well ends are achieved
- Compliance with governance policies
- Attendance
- Committee work
- Linked to CEO's evaluation

Forty-five percent (45%) of boards set **annual objectives** for themselves. Thirty-six percent (36%) of **boards follow a well-delineated work plan** that a) outlines how the board will achieve its goals and b) becomes the agenda for the year's board meetings. Seventy-nine percent (79%) of those who indicated that they did not follow a well-delineated work plan responded that they thought a well-delineated work plan would help their boards be more effective.

Of a list of methods by which **boards monitor board meeting efficiency**, the most common method selected was noting if meetings begin and end on time (54% of those that indicated any of the methods listed), followed by percentage of agenda items covered and issues resolved (36%), tracking completion of action items (29%), percentage of action items completed as committed (27%), and other (9%). Fifty-one percent (51%) of those who responded to this question reported that efficiency was not monitored. Other ways that boards monitor board meeting efficiency include:

- Self-evaluation
- Completion of agenda
- Annual survey
- Evaluation of chair and process
- Evaluation form at the end of each meeting
- Individual board member comments at the end of each meeting
- Review of meeting at the end of agenda
- Meeting evaluation tool
- Help of consultant
- Board work plan, tasks, timelines
- Meeting evaluation survey done 3 times per year
- Summary of motions at end of meeting
- Ending on time
- Meet objectives
- Chair and CEO discuss

Seventy-one percent (71%) of boards conduct a **formal evaluation of the CEO** based on preset criteria. Of the measures listed, the most common measures used to gauge the CEO's performance are the goals stated in the strategic plan (80% of those that indicated any of the measures listed), followed by financial metrics (67%), self-evaluations (54%), employee satisfaction surveys (41%), external benchmarks (31%), governance scores (17%), donor satisfaction surveys (13%), and other (22%). Other measures of CEO performance include:

- Goals stated in job description, responsibilities, self-set goals
- Feedback of staff, 360 evaluations
- Key stakeholder surveys
- Awareness of the organization in the community, community relations, productivity, quality of service
- Performance against annual plan, fundraising targets, and budget
- Executive limitations
- Artistic achievements and response of media
- Sales, media coverage, review from funders, grant writing results
- Balanced scorecard
- Succession planning

E. Risk Management

Sixty percent (60%) of 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. ***Further analysis showed that all of those that indicated no specific responsibility in this area were organizations with budgets under $1 million.*** For those who had established responsibility, 63% reported that it was the responsibility of the full board, followed by the finance committee (12%), the executive committee (12%), the audit committee (11%), and the investment committee (1%).

When asked to select from a list those areas in which participants felt confident that the organization's risks were being properly managed, the most common area cited was finance (91% of those who indicated any of the areas listed), followed by operations (84%), human resources (76%), and investments (67%).

F. Independence, Authority and Accountability

When asked to select from a list of **who the board is accountable to**, the most common response was members (74% of those who indicated any of the groups listed), followed by community (59%), government (52%), donors (48%), taxpayers (19%), patients (16), insurance companies (10%), and other (14%). Other stakeholders that respondents felt their boards were responsible to include: clients/customers/service users; staff; national, regional or higher authority board; funders; residents; parents; alumni; religious leadership; provincial regulators; umbrella group; constituent/member organizations; trustee body; national and international licensing body; and international network.

When asked whether the board **was doing a good job of being accountable to its stakeholders**, 87% said yes while 13% said no. Reasons for responding no include:

- There is conflict of interest, conflicting priorities of various stakeholders
- Unclear role of the board, inexperienced board members
- Board is too distant, not involved enough, not carrying out its duties; needs to be more involved in fundraising
- Board is missing basic competencies, difficulty in finding board members with both time and skills needed
- Not sure who the stakeholders are; accountabilities are unclear
- Need to improve transparency and communication
- Board needs to be better informed; shortage of resources to do this effectively

Eighty percent (80%) of participants felt that their **organizations have enough control over their revenue for board members to effectively exercise their fiduciary responsibilities**. For those who did not, reasons given include:

- Government funding is/does:
  - misaligned with fiscal year – funding is determined several months into the year, funding is late
  - annual, no multi-year
  - not allow sufficient reserves
  - insufficient
  - main source of revenue – too much dependency on government funding

- Funding/revenue is:
  - mainly from a single source, not diverse enough
  - project based, no core funding, dependent on annual grants and fee-for-service
  - annual grant

- Fundraising is:
  - a constant concern
  - too dependent on fundraising events
  - dependent on limited available resources
  - in a very competitive environment
  - outside the scope of the board's responsibilities, shortfall in board, board has been relatively inactive
  - difficult to forecast and therefore does not allow for annual planning

- Financial information:
  - ED does not provide solid reporting
  - Need financial expertise on board
  - Board is removed from revenue stream information
  - No recorded business plans

- Other
  - No policies, annual budgeting, or active fundraising program
  - Have a non-governance board model
  - Chapters have control over their reserves

When asked about the board's ability and authority to carry out its responsibilities, 87% of those who responded to this question were satisfied with the **ability of the board to make independent decisions**, 82% with the **authority of the board** with regard to hiring and firing of the CEO, 78% with regard to CEO's compensation, and 76% with regard to evaluation of the CEO. The reasons that respondents gave for not being satisfied with the board's ability to make independent decision and its authority over the CEO include:

- Lack of/poor policies and procedures in place
- CEO runs the show – CEO leads, board follows
- ED has not been supervised for years and has become dictatorial and controlling
- Provincial government controls collective bargaining and the CEO's compensation, CEO is government appointee
- Too much government regulation; decisions driven by government policy
- Board's ability to make independent decisions is compromised by control of the funder
- Unclear board mandate and structure; lack of role clarity
- Inexperienced board – board members do not have enough understanding of business/agency, lack financial and management experience, lack HR experience
- Board does not exercise its authority; board is made up of volunteers and often does not act in a timely fashion
- Founder's syndrome – organization founded by CEO; CEO selected the board – board is not independent of founding organization
- Information is provided by staff, board decisions are only as good as information provided
- CEO evaluation needs to be based on objective rather than subjective criteria
- CEO has never been evaluated, compensation is below market value

Eighty percent (80%) of respondents said that they are **satisfied that the CEO is properly overseen, guided and supported to achieve his/her goals as set by the board**. Reasons given by the 20% who responded negatively were:

- Lack of policy and procedures in place
- Volunteer organization and board make it difficult to oversee a full-time staff person; volunteer board members have limited time and energy
- Weak board chair does not clearly understand role as chair vs. role of staff; need role clarity to define relationship between CEO and board;
- Chair not engaged enough, need closer relations and more frequent contact with CEO
- Dependency on board chair that changes every two years
- Board lacks weight and experience. Need leadership with supervisory HR experience; inexperienced board members should have specific requirements and training
- Board reluctant to challenge CEO; board uncomfortable with CEO evaluation
- Board needs to spend more time developing overall strategic plan and less time on day to day operations
- Board is too involved
- Board is too distant, not involved in goal-setting or monitoring, need to provide more support, does not take time to fulfill responsibilities, little attention given to support or encouragement; too much expectation placed on CEO to support board
- Board represents diverse communities with different agendas and have not come together behind the organization’s mission and vision
- No assessments of CEO are undertaken beyond financial goal assessment, CEO goals not clearly defined
- No strategic plan in place
- Need in-camera sessions, need to remove senior managers from board meetings
- CEO has too much freedom, board does not receive enough information to evaluate performance; CEO has too much leverage, board needs to take back control; board needs to be informed

When asked if the board required **CEO/CFO certification** of financial results, conflict of interest, etc., 22% reported that their boards do require certification. Respondents noted the following when asked to elaborate on the certification requirement:

- Audited and unaudited financial statements
- Remittances to government
- Regulatory compliance and compliance with prescribed standard of service
- Conflict of interest and confidentiality
- Adherence to legal and moral code of conduct
- CFRE, ethical fundraising

When participants were asked if they were **confident that the organization was in compliance with all regulations**, 92% responded that they were. The reasons given by the 8% that responded negatively include:

- Not clear on all regulations, regulations too complex
- Concerns over use of grant monies
- Disbursement quota has been a recent problem
- Legal obligations are not always followed to the letter
- Statistical information not available, not all information is disclosed to the board
- Benign neglect in many areas

Fifty-one percent (51%) of organizations indicated that they operate with a **balanced budget**; 30% with a surplus; and 19% with a deficit.

G. Information and Record Keeping

From a list of statements about **board information**, the most common statement selected was “Copies of agenda and other materials required for review prior to the meeting are circulated to all board members in a timely fashion” (88% of those that selected any of the statements listed), followed by “Copies of agenda and other materials required for review prior to the meeting are sufficient in their scope to help board members make informed decisions with regard to issues that require their approval” (78%); “Financial statements contain and set out information in a manner that allows board members to ask meaningful questions and make informed decisions” (76%); “The board has a non staff board member (i.e. board secretary) who is responsible for recording the minutes” (43%); “The board keeps a book of the major decisions that have been made over the years and makes it available to board members” (43%); “Copies of agenda and other materials that require board approval contain both pros and cons and alternative scenarios” (34%); “The board regularly reviews its information requirement” (33%); “Financial statement updates are often provided at the last minute at the board meeting” (24%); and “I would prefer independent sources of information as well as management provided information” (15%).

When asked what **percentage of board information comes from the CEO**, the most common response was 50 - 75% (31%) followed by >75% (28%), 25 - 50% (21%), <25% (13%) and 100% (6%).

From a list of **individuals responsible for briefing board members** on issues central to the organization’s mandate, the most common response was corporate CEO (76% of those who indicated any of the individuals on the list) followed by “there is no one individual” (17%), chief of medical staff (9%), foundation CEO (8%), communications department staff (3%) and other (18%). Others include: relevant staff members, board chair, committee chairs, members of executive, auditors, consultants, and lawyers.

When asked how effective the individual was in briefing board members, 42% responded excellent, 42% good, 12% satisfactory, and 4% poor.

When participants were asked if they as **board members had sufficient information to make informed decisions**, 86% reported that they did. Reasons given for negative responses include:

- Not enough information
- Too much information arriving at the last minute, too complex of an environment
- Lack of balanced information – information reflects insider view, lack of independent information, information is spun positively, no pros and cons, tweaked to concur with CEO's proposals
- Missing technical information
- Information funneled through the CEO, no exposure to other staff, not encouraged to be in the field

H. Strategic Planning

Eighty-two percent (82%) of respondents reported that the **board has a strategic vision for the organization**. For those who reported that they have a strategic vision, 92% report that the vision is shared by management.

Seventy-seven percent (77%) of participants reported that their organizations have a **written strategic plan**, 13% reported that although there is not currently a plan, there is a plan to write one, and 10% have neither a plan in place nor plans to write one. For those that have a strategic plan, 49% were completed in the past year, 30% were completed 1-2 years ago, 14% were completed 3-4 years ago and 7% were completed over 4 years ago. When asked to select from a list of **who was involved in developing the strategic plan**, the most common response was the CEO (75% of those that indicated any of the classifications on the list) followed by senior staff (57%), an external consultant (36%), a board task force (32%), a board committee (29%), and other (2%). Others involved in developing the plan include:

- Internal and external stakeholders, volunteers, donors, program staff, students, parents, international affiliate, local partners, community, clients,
- Full board, board chair, past board members
- Other community organizations and various community agencies
- Strategic and community relations committee, strategic planning committee, strategic directions committee, executive committee, steering committee

When asked to select from a list of the ways in which their boards were involved in the strategic planning process, the most common form of involvement was input to goal setting (69% of those that indicated any of the methods of involvement listed), input in the form of general guidance (67%), advisory discussions with the CEO throughout the development of the strategic plan (53%), board writes the plan (25%), and approval only (13%).

Seventy-eight percent (78%) of organizations translate their strategic goals into measurable objectives and benchmarks for the board to monitor.

I. Board Culture

From a list of ways to characterize the **relationship between board and staff**, the most common characterization reported was respect for each other's roles and responsibilities (55% of those who indicated any of the characterizations listed) followed by high level of trust (54%), supportive (42%), poor (6%), and other (7%). Other responses include:

- Too much CEO control, CEO forbids communications between board and staff
- Insufficient communication in areas other than finance and fundraising
- Micromanage/lack of respect
- Board only has relationship with CEO which is supportive
- Board is supportive but hands off
- Resentment of board by staff, high level of mistrust of the board by staff, staff view board as obligation and distraction, staff concerned board not accountable, board doesn't have real sense of work pressures of staff
- CEO resistant to board support in some areas
- Professional courtesy

As an aside, 55% of organizations reported no **CEO turnover in the past five years**; 33% experienced turnover once; 7% twice; and 5% three or more times.

From a list of ways to characterize the **relationship amongst board members**, the most common characterization was professional respect for each other and friendly in and outside the board room (68% of those who indicated any of the characterizations listed), followed by collegial (58%), good teamwork (57%), high level of trust (43%), strained (7%), politically charged (5%), and other (6%). Other responses include:

- Do not know each other
- No sense of team
- One board member causes tension
- A few board members are difficult to work with
- Board represents two constituencies that have different positions on several key issues
- Freedom to disagree and resolve differences
- Some issues between president and board members
- There are cliques

When asked what **percentage of board meetings include lively debate of strategic issues**, 48% reported less than 25%, 35% reported 25 - 50%, and 17% reported that more than 50% of meetings include lively debate.

Characteristics of Fully Engaged Boards

The survey asked participants to check all that applied with regard to the following:

1. Board members are fully engaged in the work of the board.
2. Board members feel confident to stand up against the majority and express their views.
3. The board has a number of board members who are NOT engaged in the work of the board.
4. Please make any comments that you feel relevant to the issue of board culture and engagement as they pertain to the board.

Interestingly, 68% of those who selected any of the options above indicated that board members felt confident to stand up against the majority and express their views, while 53% felt that board members were fully engaged in the work of the board and 42% indicated that their board had a number of board members that were not engaged in the work of the board.

Further analysis of those that checked options 1 and 3 above was carried out to determine if there were any major differences in how those that characterized their boards as fully engaged responded to the survey questions compared with those that indicated that they had a number of board members who were not engaged in the work of the board. The following highlights the characteristics of the two groups and some of the differences in their responses.

In general, the characteristics of the two groups, those who selected option 1 vs. option 3, were similar, with the following exceptions:

- While the greatest percentage of responses from both groups came from board members vs. staff, responses to option 1 were 48% from board members and 40% from staff, while responses to option 3 were a greater 54% from board members and a lower 35% from staff.
- While the greatest percentage of those that selected option 1 and 3 were organizations with budgets of $1,000,000 - $9,999,999, a greater percentage of those that selected option 1 were organizations with annual operating budgets of $500,000 - $999,999 (19% vs. 13%)
- A greater percentage of organizations that selected option 1 were organizations with 10 - 24 full time staff (21% vs. 15%), while a lower percentage were organizations with 100+ full time staff (22% vs. 27%)
- A lower percentage of organizations that selected option 1 were organizations with 200+ volunteers (29% vs. 24%).

Participants that indicated that they had fully engaged boards felt, to a greater extent than the other group (83% vs. 60%), that they had board policies that provided sufficient guidance to the board to properly govern the organization. A greater percentage of engaged boards (75%) publicly disclosed their governance policies and processes compared to those with limited engagement (63%). Interestingly, they also reviewed their policies on a more regular basis, with 34% vs. 23% reviewing once a year as opposed to "upon request."

While less than 50% of either category indicated that they require board members to sit on at least one committee, a greater percentage (48% vs. 35%) of the engaged boards had this requirement. There also appeared to be a difference in the financial acumen of board members. When asked what percentage of the board had the ability to read and understand financial statements, 66% of those with fully engaged boards reported that over 50% of their board members were able to read and understand financial statements compared to 44% of those with less engaged boards.

Fully engaged boards indicated, to a greater extent than less engaged boards, that they assess the set of skills required to guide and monitor the organization's strategic plan and properly govern the organization (78% vs. 59%). A greater percent had also completed a formal assessment of the skill set of the current board within the last 12 months.

Interestingly, time for new board members to get up to speed was less for more engaged boards, with a greater percentage (36% vs. 23%) reporting 2 - 3 months and a lower percentage reporting a time lapse of over a year (20% vs. 29%). Recall that earlier it was stated that a greater percentage of the engaged boards required board members to sit on at least one committee. More engaged boards also indicated that more time was spent on board education and development (18% spent 11 - 20 hours vs. 7%). Fifty-five percent (55%) of less engaged boards indicated no governance budget at all compared to 42% of engaged boards. Not surprisingly, boards that considered themselves more engaged also rated their ongoing education and development higher.

A greater percentage of engaged boards indicated that they conduct formal board evaluations (59% vs. 37%), with 77% of evaluations conducted once per year for engaged board vs. 62% of evaluations conducted yearly for less engaged board. When it came to evaluating the CEO, a greater percentage (81% vs. 62 %) of the more engaged boards evaluate their CEOs based on preset criteria. A greater percentage of engaged boards (83% vs. 64%) also reported that they were satisfied that the CEO was being properly overseen, guided, and supported to achieve his/her goals as set out by the board. When asked to rate the effectiveness of the individual responsible for briefing board members on issues central to the organization's mandate, 50% of respondents in the engaged group indicated a rating of "excellent" versus 30% in the less engaged group.

A greater percentage (47% vs. 33%) of engaged boards also indicated that they have formal risk management policies and that responsibility for that function had been assigned to a specific individual or group. Similar results were indicated for formal crisis management plans (44% vs. 28%).

With regard to financials, more engaged boards indicated a lower percentage (16% vs. 23%) of organizations operating at a deficit versus less engaged boards.

When it came to strategy, a greater percentage (88% vs. 75%) of organizations in the fully engaged group indicated that the board had a strategic vision for the organization. In addition, although the large majority in both groups had put their plans to paper and indicated that they had translated their strategic goals into measurable objectives and benchmarks for the board to monitor, the percentage with documented, measurable plans was once again higher (85% vs. 74%) in those organizations with more engaged boards. The plans of more engaged organizations also appeared to be more recent.

When it came to setting objectives and following detailed work plans, there were large differences between the two groups. Fifty-eight percent (58%) of engaged boards reported that they set annual objectives compared with 33% of less engaged board. Moreover, 47% reported that the board or its committees 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 versus 27% of less engaged boards.

Almost 50% of those with less engaged boards indicated that there are one or two individuals that dominate board meetings compared to 19% for the more engaged boards. In addition, engaged boards spend more of their board meetings in lively debate on strategic issues (43% vs. 27% spend 25-50% of meetings on strategic issues and 24% vs. 10% spend more than 50% of board meeting time on strategic issues).

6. KEY INFORMANT INTERVIEWS

Key Informant Interviews were conducted to obtain unique perspectives and insights from Canadian leaders in board governance. These interviews allowed for further exploration of the key issues affecting the efficiency and effectiveness of boards identified in the literature review and raised in Research Advisory Council discussions. The findings from the key informant interviews not only allow the sector to benefit from the knowledge of experts in non-profit governance but also provided a framework for focus group discussions.

The key informants were asked:

- To identify current trends and challenges affecting the non-profit sector
- To identify trends in non-profit governance
- To express their opinions and thoughts regarding the key challenges faced by non-profit boards and identify successful practices that they had either used or were aware of to meet those challenges
- To identify any resources and tools for measuring the effectiveness of boards
- To make recommendations for improving board governance in the sector

It should be noted that the findings reported in this section represent the collective opinions of the five key informants based on their experience in the non-profit sector and do not necessarily apply to all non-profit organizations.

The following five individuals were interviewed as key informants[17]:

- Dr. James Fleck
- Dr. David Leighton
- Mr. John MacNaughton
- The Honorable Bob Rae
- Mme. Guylaine Saucier

Key Informants identified the following **environmental trends** affecting the sector:

- Greater demand for transparency
- Shifts in funding environment:
  - Less government money
  - More private giving
  - More focused giving
  - Shift from corporate philanthropy to corporate sponsorship
- Increased donor sophistication

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[17] Short biographies of the key informants can be found in Appendix D

- Heightened awareness of liability and issues around transparency and accountability

Key Informants then identified the following **key challenges** facing the sector:

- Lack of resources
  - Ability to attract and retain top talent
  - Ability to obtain sufficient funding
  - Ability to live within means
- Increased demands for benchmarking and accountability
- Lack of information for decision making and accountability
- Increased pressures to improve operational efficiency as a result of changes in public policy

Key Informants also identified the following **trends in non-profit board governance**:

- Increased focus on governance and awareness of the importance of governance to organizations
- Increased use of board assessments
- Increased sense of responsibility on the part of boards
- Increased attention on ethical standards
- Increased demand for transparency and accountability
- More emphasis on process
- Increased formality in financial audits

Key Challenges in Non-Profit Board Governance

Key informants described a number **of challenges faced by non-profit boards** with which they have been involved.

A. Board Recruitment

Finding qualified directors and board leaders continues to be a challenge as today's boards require greater skills, expertise, experience and time than ever before. At the same time, the supply of qualified directors has been reduced. The key issues boards face in recruiting qualified directors include: director liability, the problems inherent in patronage appointments, finding and retaining qualified people, succession planning, and removing directors that do not meet the needs of the organization.

B. Role Clarity

As boards strive to perform their governance duties, role clarity is exceedingly important in a number of areas.

- **Governance vs. Fundraising.** Non-profit boards often play both a governance and a fundraising role. In so doing, non-profit boards risk becoming the fundraising arms of their institutions and leaving the governance function behind. While many organizations are beginning to realize the necessity of separating the two roles, donors and volunteers have at times been rewarded with board seats, making it a challenge to change the complexion of these boards while maintaining the donor base.

- **Governance vs. Management**. The board's role is to select the management, set the parameters within which management can manage, and assume responsibility for the strategy and financial stability of the organization. Management's role is to run the organization. Reaching this very critical level of understanding remains challenging for many non-profit organizations.

- **Board members as Volunteers.** There is confusion in many non-profits, particularly those that fundraise, as to the role and authority of board members when they are acting in a governance capacity and when they are supporting the organization through non-board related volunteer activities.

C. Board Development

Three main challenges exist in the area of board development: becoming more of a policy board, training and developing board members, and overcoming inertia.
Becoming more of a policy board is particularly difficult when volunteer board members believe that they, rather than staff, are responsible for running the organization.
Non-profits are challenged with a need to do more to orient and educate board members around their roles and responsibilities, policies and practices, culture, and history.
A lack of market discipline as well as a lower level of accountability and scrutiny in the non-profit sector compared to public companies contributes to the inertia that exists.

D. Process and Culture

It is a challenge both to develop effective board policies and processes that are in line with an organization's capabilities and to develop a successful board culture.

- **Process paralysis.** Boards can become paralyzed by process and must find the right balance between focusing on important issues and getting the process right.

- **Compliance vs. governance.** Focus on compliance often distracts from the strategic governance of the organization.

- **Risk taking.** Some boards have developed "cover your backside" syndrome where the board is full of minutes and documentation to make sure that every "t" has been crossed and every "i " has been dotted as its way of reducing risk. This type of risk reduction strategy does not increase the effectiveness or efficiency of the board.

- **Adopting appropriate governance practices.** Small organizations with scant resources have difficulty keeping current on the governance practices being embraced by the for-profit world and introducing these practices, where appropriate, into their organizations.

- **Board engagement.** Boards need members who take their governance responsibilities seriously rather than individuals that want to enhance their CVs.

E. Accountability and Stewardship

- **Need for more formalized accountability and stewardship.** It is a challenge to create boards that are prepared to put in place the processes necessary for accountability and good donor stewardship. Donors are increasingly following their money to ensure that it is used for its intended purpose. And board members are not prepared to ask corporations for money if they cannot tell them how the organization used their last donation.

- **Conflict of interest being redefined.** It is generally understood that an organization cannot have a lawyer on the board whose firm does business with the organization. But boards are being asked to consider conflicts that go beyond previously accepted criteria. For example, can an organization have the Dean of a business school on its board if the school receives donations from the organization?

- **Need for sharper focus.** Some boards and committees do not ask the right questions. Higher expectations for boards and a greater sense of responsibility on the part of directors require that board members ask more probing questions and tackle difficult issues at the board table. Thus, there will be more emphasis on business acumen and increasing pressure on board members and committees to sharpen their focus.

F. Leadership

- **Board leadership.** A good chair is critical to having an effective board. In addition to the challenge of finding a good chair, the board must develop a process to measure the chair's effectiveness.

- **Retaining good people.** Retaining good people, especially the CEO, in the face of more lucrative packages in the for-profit sector, is a significant challenge for non-profit organizations. In addition, many non-profits do not have sufficient depth or resources to develop leaders from within.

- **Power**. If the balance of power is not maintained between the chair, CEO and board, one individual or group can have too much power, which can lead to problems in the oversight of the organization.

G. Measuring Board Effectiveness.

Determining the appropriate measures and metrics for board performance and effectiveness remains an ongoing challenge.

Successful Practices

Key informants described a number of practices that have been used successfully in the non-profit and for-profit boards on which they have either served or been involved. The anecdotes that they shared are summarized below. Note that the successful practices do not address all the issues that arose during the interviews but rather speak to those that they highlighted during discussions.

A. Board Structure

- **Board size and function**. One key informant stated that a good board should be no more than ten people. One arts organization had a board with over 70 members. They found that many of the board members, who were there primarily as fundraisers, failed to attend board meetings on a regular basis. Thus, board meetings were generally ineffective venues for oversight and strategic decision-making. To get the board focused on strategic oversight, the board chair significantly reduced the size of the board by moving the fundraising board members into a separate institution called the Governors Council. It was important to distinguish between the fundraising responsibilities of a group of volunteers and the people who were taking governance seriously. The advantage of the smaller board was that everyone knew that their responsibilities were significant and that in order for the board to do a good job, they simply had to take the time and effort to be involved. The board chair made it clear to board candidates that they did not have to be wealthy to be on the board, they simply had to take an interest in governing. 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.

- **Executive committee.** One organization effectively uses an executive committee to meet on strategic issues between board meetings. Where possible, the executive then brings the issues to the full board for discussion and ratification, usually before the fact, and if not, immediately after the fact. This helps to eliminate the sense of a two-tiered board.

B. Succession Planning and Board Recruitment

- **Succession planning.** As the chair and the executive committee, it is important to think about what skills are needed as a board. One chair worked with the board to establish the criteria for selecting board members by building a skills matrix that represented the board’s current skill set and a second one based on the organization’s future needs as determined by its strategy. They then identified the gaps and areas where skills were not well represented. The board looked for a balanced group of dedicated directors who brought different skills, experiences, and points of view.

- **Grooming leaders.** One of the considerations when interviewing board candidates is leadership potential. Not all board members have leadership potential, but when they do, it is good practice to try to move them into positions where assuming leadership is a natural progression. It is good practice to give them some assignments and see how they respond to the challenge. Also, if organizations have two or three vice-presidents, they will stand a better chance of having one that will rise to the challenge and make a good leader.

- **Board involvement.** One organization ensures that the chair and the full board have a real stake in the selection of board members. The board discusses succession issues at every board meeting, i.e., they talk about the criteria for new members and solicit names from board members.

- **Board rotation.** The practice of establishing board terms with an option to renew allows for a graceful exit for some and the retention of those that the organization really wants to keep.

- **Board member time commitment.** Boards should think about adding retired people who have business experience.

C. Board Appointments

- **Crown corporations and patronage appointments.** To solve the problems posed by political patronage appointments 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. A very knowledgeable finance person was put on the audit committee, a highly qualified HR person on the human resource committee, and an expert in the field of marketing on the marketing committee.

  In addition, they set up a new nominating and governance committee, which developed a process and criteria for 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. The key was active board involvement in the selection of board successors. To further ensure success, the chair and the board spend time with new board members to ensure that they understand their mandate.

  This same chair noted that it is sometimes necessary to put yourself on the line for qualified board members because the political pressures, for crown corporations, can often be overwhelming.

D. Leadership and the Importance of Good People

- **Importance of the Chair.** The chair is crucial to the success of a board. It is the chair's responsibility to ensure that good governance practices are in place, that board members are engaged, and that the board is functioning properly. The chair must ensure that the strategy is brought to the board, and that every board member has input into it.

  "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)

  The chair can also be a factor in recruiting the right CEO. One successful practice is to retain the best CEO you can find and that must be done proactively. When one crown corporation needed to recruit a new CEO, the chair started by going through a list of about 150 names. By the time the decision was made, the chair had done his homework on the needs of the organization and the candidates. Moreover, the chair brought the candidate in to be interviewed by the board, not a selection committee. In this case, the chair told the federal minister who the candidate of choice was. There were some attempts to dissuade the board, but it stuck by its decision. The appointment went through and it has proven to be an excellent decision.

- **The importance of having good people.** One chair emphasized how key it is to have good people.

  "Having processes in place is great, but if you don't have good people, it won't mean a thing. If you have good people you can often operate with systems that aren't quite as tight and finely structured. Good people are those that have some flexibility, vision, intelligence, and humility. A good board attracts good staff and good staff works effectively with its board; they bring the best out of each other."

  (Mr. John MacNaughton)

E. Role Clarity

Role clarity is crucial. On good boards, people understand the difference between management and board responsibilities. A good board sets objectives for itself, understands the organization, helps management set strategy, and appoints, evaluates and monitors the CEO. There are a number of practices that can help improve role clarity:

- **Board discussion.** Put role clarity on the agenda for board discussion.

- **Written job descriptions.** Written job descriptions for the directors, chair, and the CEO are essential to ensure that everybody is aware of who is responsible for what and where the lines are drawn between the various positions. In so doing, there is a lot less chance of different interpretations. These job descriptions should clarify key issues like who speaks for the board, who speaks on what issues publicly, and what issues the board is and is not concerned with. Job descriptions should be reviewed annually.

- **Reporting structure.** Make it clear that the CEO reports to the board, not to the chair. The chair should not have the power to fire the CEO on his or her own. The board, chair, and CEO job descriptions should set out that the CEO reports to the board but deals with the board largely through the chair in order to avoid micromanaging on the part of the board.

- **Process.** It is generally not desirable to have board members tell staff what to do. If board members have a concern about the staff's priorities, the CEO can be asked to make a presentation to the board so that the board can determine the appropriateness of those priorities.

F. Board Policies and Processes and Board Culture

- **The Chair's role.** It is part of the chair's job to develop the culture of the board.

- **Board orientation.** An excellent practice is for the board to have a well organized program with materials provided in advance, staff members from different areas of the organization making presentations on activities in their areas, and an opportunity to walk board members through all the facilities and the administrative offices.

- **Board education and development.** It is good practice to provide board members with ongoing education and development opportunities. At times, a chair needs to be proactive. When one chair felt that the board was not strong enough in its knowledge of accounting and was not probing enough into some of the things it was being told by the finance staff, he convinced the board to enlist someone with an outside point of view to speak with them

- **Board assessments.** It is good practice for board to assess themselves. However, volunteer boards differ from corporate boards in that you can't give orders and necessarily have them followed.

"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)

One board chair felt that it was more important in a non-profit organization that the board sit down from time to time and ask themselves how they are doing and how they can do better rather than using some sort of bureaucratic process. In order to aid buy-in, it is preferable to start with the premise that you are good now and are looking to become even better.

Another organization has a more formal process. The corporate secretary sends out a questionnaire to the board, asking board members to rate their performance on a numerical scale. The board secretary compiles the results and re-circulates the overall board ratings to board members for discussion at a board meeting.
In addition, the board chair carries out his or her own evaluation of board members. The chair in this case was quite prepared to talk to those that were not performing well. He encouraged some of them to bring their concerns to the meetings and others to speak with him personally.

- **Board meetings.** Successful practices include:
  - Hold board meetings regularly.
  - Manage time well. A good board meeting can be implemented in a couple of hours.
  - Start the meetings on time. Some people won't be there, but if you get into the habit of starting meetings on time, they are more likely to be on time for the next meeting. Lax practices have a habit of becoming the norm.
  - Have an agenda and keep on the topic. It is the chair's responsibility to see this is done. There is nothing worse than a chair that allows things to meander.
  - Have an in-camera session at the end of every board meeting for an open-ended discussion.
  - Do not to use board meetings for the presentation of material that can be provided in advance; write it out, send it out, and expect that people will have read it before they arrive at the meeting. That in itself provides discipline because those that have not read the material will have a problem when the chair moves on.
  - Devote some time at each meeting to an educational topic.
  - Handle some of the educational aspects with a voluntary behind-the-scenes tour before or after board meetings.
  - Circulate minutes in a more timely fashion. When the minutes arrive the day before the upcoming board meeting, board members have forgotten what happened at the previous meeting and are less likely to catch errors and omissions.
  - Have a page following the minutes that contains the action steps coming out of the minutes, i.e. who is responsible for what action and by what date. It is important to assign responsibility and timelines.

- **Board engagement.** Following a day of committee meetings, which starts early in the morning and finishes late in the afternoon, the board for a national arts organization has a board dinner to which spouses are invited. Key staff are also invited to the dinner so that the board has an opportunity to get to know them. Everyone then goes off to a concert, play, or event because the chair wants board members to see first hand what their business is. The following day they have a formal board meeting, where they meet until two or three in the afternoon. In some instances, tours are arranged. Once a year they finish off with the Annual Meeting.

  This organization tries to make the experience something more than just coming to a board meeting by making it interesting and fulfilling and including a social component. Social activities are planned for spouses and educational activities are planned for board members. These types of activities help to develop a sense of camaraderie and openness.

  "With a small group of individuals, building a certain amount of liking for each other, trusting each other, willingness to open up, and listening to others is important. It's a cultural thing that's very hard to put your finger on. But if you get this right, you will have a team that works, one that everyone feels a part of. "

  (Dr. David Leighton)

- **Frequent communication.** One organization sends a package of press clippings to board members in the mail every week. Every month the board gets a "quick 'n dirty" report by email on the financial situation as of the month just completed, followed a week later by a detailed analysis (by email as well). This report looks at things like whether they are running a deficit or a surplus, how they are doing against their budget, etc. Seldom does a day goes by that the board chair is not in touch with one of his board members. They also use telephone conferences for single issue meetings, for example, to approval the financial statements for the year, as the fiscal year end comes at an awkward time for many board members.

- **Trust.** Trust is a key element of a board's success.

  "If a board is a mixture of being direct and being respectful, board members can discuss and put their ideas on the table. If things are very transparent, it will create an atmosphere of trust. Trust is very important. It doesn't create an atmosphere of transparency if the board feels that the CEO wants to hide something or there is an air of suspicion."

  (Mme. Guylaine Saucier)

G. Transparency, Accountability and Increasing Public Trust

- **Accountability to stakeholders.** Boards must be accountable to their stakeholders for the funds they receive. A good example of a sound practice can be found in Doctors without Borders.

  At Doctors without Borders/Médecins Sans Frontières (MSF), money just started flooding in for tsunami relief. ***"Perhaps the most controversial decision MSF made during the tsunami response, made less than one week after the disaster, was to stop accepting funds that could be used to help victims.***

  Despite this announcement, in an extraordinary outpouring of solidarity, MSF sections received a total of 110 million euros while a forecast indicated that 25 million euros would be sufficient to run programs for the rest of 2005. MSF decided to contact its donors, asking permission to de-restrict their donations so they could be earmarked for other emergencies and forgotten crises. The response was overwhelmingly positive. Of all the people contacted, only 1% asked that their money be refunded rather than redirected."[18]

  Board members must also be provided with financial statements that drill down to sufficient depth in order to have exposure to what is going on.

  Transparency in terms of policies is also important. Try to get as much as possible out in the open. In terms of accountability, if you set out goals, make sure to determine if those goals are being achieved.

- **Wrongdoings.** Many non-profit organizations are putting whistle-blower policies in place. One key informant indicated that a whistle-blower policy may be useful with falsified financial reports, or work in environments where harassment or safety, for example, is an issue, but that a board must bear in mind that a whistle-blower policy can be difficult to implement because there is potential for abuse.

- **Relationship with the auditors.** This is a key relationship. At one organization, the auditors and the board at one time had a chilly relationship. The board would give them what they asked for somewhat reluctantly, not volunteer anything, and vice versa. The auditors were very suspicious, probing and wanting things. That has opened up and the board has told the auditors, "Our books are your books; you can look at anything at this place. As far as we're concerned, we have absolutely nothing to hide. It's all yours." This board now has a wonderful relationship with the Auditor General's department to the point where the auditors will let them know about legislation coming down the pipe so that they can prepare themselves.

[18] December 9, 2005, MSF Operations & Financial Overview: One Year After The Indian Ocean Tsunami Disaster, http://www.doctorswithoutborders.org/news/2005/12-09-2005.cfm

- **Increasing public trust.** If an organization is secretive and unable to respond to the needs of the public, its reputation will suffer. That is something that a board should and can help change.

  "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)

  There is much to learn from all that is going on in the field of governance and non-profits should try to introduce these lessons to their organizations.

  "It's not a matter of applying private sector standards to the public sector or vice versa. The test is public confidence in the institutions. The public wants to know that the organization has a reputation for integrity, solving problems and dealing with issues as they emerge, and that it is sensitive and accountable to the public. That increases public trust in the organization, and the more public trust increases, the more the level of public support increases. "

  (The Honourable Bob Rae)

H. Strategic Planning

- **Strategic planning process.** One key informant noted that the strategic plan should come from management, not the board, and that the board's role was not to create the plan but rather to massage it and perhaps make some choices where options are presented by management. He felt strongly that the material to react to must come from management. A board may determine that it wants to go off in a different direction, but that usually means that the board has chosen the wrong CEO.

  Strategic planning by the board is often done at a retreat and usually involves a facilitator in order to keep the meeting on track and allow the chair to actively participate.

  One recommendation is for boards to increase the number of occasions when retreats are held for the purpose of focusing on strategic issues. Some organizations have a retreat every year to discuss strategic issues. These retreats tend to focus on getting beyond items discussed at regular board meetings and looking into the future. One organization had a retreat where they went off site for the day and talked about where they would like the organization to be in 20 years. The CEO and others prepared some items and they blue-skied it for the day. That plan then went through a couple of iterations before it was finalized, and then went to the foundation board, where they identified how the money was to be raised.

I. Financial Responsibility

- **Fundraising.** One of the board's functions is to raise money, but it is the staff's responsibility to make this as easy as possible by providing background research on a donor.

- **Finance committee.** One of the responsibilities of a board is to ensure the financial stability and viability of the organization.

  "One of the responsibilities of a good finance committee is to look at its asset/liability relationship and what amounts the organization wants to draw from its portfolio to run its operations. A good practice in this area is to design a portfolio that has the highest possible probability of delivering that amount through the ups and downs of the market over the long term. Determine the rate of return that can be expected realistically and then determine how much of that will be drawn each year. Some years the portfolio will do better than others. If you think you're going to get eight and draw ten, then over time you're going to run out of money. But, if you design a portfolio with a return of 7% and draw 4.5%, then the portfolio will actually grow and your purchasing power of your draw will grow with it."

  (Mr. John MacNaughton)

J. Stewardship

- **Donor stewardship.** Donor stewardship requirements are ongoing. One successful strategy is to ensure that donors receive regular reports. Keep in touch generally so that the donor becomes part of your community. Organizations need to learn much more about their donors so that they can target them with packages that align with the donor's own donation strategy. Organizations that can demonstrate proper stewardship of funds will be more successful in raising money.

- **Stewarding the CEO.** Income can be divided into two types: monetary income and psychic income. When there is not much monetary income to offer, make sure that a lot of psychic income is provided. It's not in anyone's written job descriptions, but it is good practice for the chair and a few of the senior board members to steward the CEO.

K. Partnerships

- **Banding together.** One organization brought together a large group of organizations with common interests to share best practices and networks and act as an advocacy group in the hope that they would have a greater chance of success if they worked together.

- **Mergers.** Donor accountability and the competition for donor dollars are encouraging organizations to consider mergers. The objective of merging institutions is to reduce duplication of service and increase efficiency. It was suggested that a first step would be merging the back office operations.

Public Policy and Standards Recommendations

The key informants suggested that external pressure could be exerted on the sector to achieve better governance, such as:

- Establishing more requirements with respect to public disclosure and public reporting, and more active scrutiny from a more coherently organized public sector. The consequence of not getting governance right over time will be an eroding of confidence in an organization.

- Establishing a measure of common assessment or even something like a public assessment of how much of the money raised goes to the cause and how much goes to administration.

- Requiring organizations to meet certain criteria before they are given charitable status and the right to issue tax receipts. For example, the government could require organizations to demonstrate good governance and accountability and provide audited financial statements where professional accountants attest to the validity of the statements.

- Defining a cultural policy to guide the strategy of crown corporations in the arts sector. Telling an organization where it fits within the government's cultural agenda would provide guidance for the board and management in terms of strategy and how to deal with issues of funding. A cultural policy would help define what the board should focus on.

7. LEADERSHIP COMMENTARIES

To enrich the input gathered from key informants, the research team asked a number of leaders in the voluntary sector, academics, as well as governance specialists, from across the country, to comment on the trends in the Canadian non-profit and voluntary sector and to identify key challenges, resources, emerging models, and good practices for effective board governance. Their experience and wisdom added to the understanding of the current environment in which organizations are operating and the implications for board members and governance practices.

Trends Affecting the Non-Profit Sector

- Financial Resources:
  - Funders moving from core funding to project funding; from multi-year to short-term funding
  - Increased competition in the fund-raising and grant-making arenas
  - Increased demands in the application process
  - Higher standards expected in proposals and applications – the need to be highly sophisticated
  - Reporting and accountability requirements often exceed available resources and capacity

- Human Resources
  - Salaries of paid employees below market rate and come without employee benefits such as health insurance and pensions plans
  - More contract positions due to the nature of project funding
  - Changing demographics of volunteer base

- Partnerships, Networks, and Collaboration
  - More holistic, integrated, and horizontal approaches to community health and vitality
  - Coalitions and networks forming across sub-sectors
  - Funders requiring partnerships in grant proposals

- Relationships with Government and Other Sectors
  - Public policy dialogues being initiated at all levels
  - Government seeing the sector not only as a service delivery mechanism but as a vehicle for citizen engagement
  - More multi-sector partnerships around community health and social and economic development (social economy, public-private partnerships)
  - Complexity and cross-jurisdictional boundaries
  - Devolution of services
  - Shifts in cost-sharing arrangements between orders of government

- Diversity and Inclusivity
  - Shifts in demographics
  - Voluntary sector staff and volunteer base not reflective of the cultural diversity of Canadian society

- Performance Assessment and Evaluation
  - Emphasis on social and economic outcomes and impacts
  - Competing and Conflicting demands from stakeholders

The above seven trends were described in the commentaries in various ways, but everyone agreed that there have been significant changes in the voluntary sector over the past decade and that the impact on boards of directors has been profound. While some people focused on the practical and operational impact on organizations, others felt that the changing dynamics between the sectors was even more critical.

> ***"We have gone through a period where the stress was on accountability to more recently the emphasis has been on governance and we seem to now be understanding that the key to success is relationships".***
>
> ***(Wayne Stewart, Calgary, Alberta)***

The shifting relationship between organizations and governments, as policy makers and as funders, has added a layer of complexity, as boards try to establish their own policies and priorities. Navigating the cross-jurisdictional arrangements in terms of service delivery and the regulatory environment requires new skills and attunement to the external environment.

> ***"The community issues that many voluntary and non-profit organizations address are more complex because they are often intertwined with other issues. . . . Community agencies try and pick up where the government has left off …The role of non-profit organizations is becoming more complex, and so too are the challenges to build a strong and supportive infrastructure".***
>
> ***(Cathy Wright, Saint John's, NB)***

One of the challenges in discussing trends in board governance, at a national level, and trying to gather good practices, resources, and models, is that the sector is so diverse. Among the 161,000 non-profit and voluntary organizations in Canada, there are those that are all volunteer run with annual budgets of less than $50,000 and larger, unionized, multi-million dollar budget operations.

> ***"I think it is important to note that organizations and boards are not static. A successful organization, under one board, will not necessarily remain effective as it undergoes changes in leadership, when it faces new challenges or when it enters into a different organizational maturity level."***
>
> ***(Robbie Giles, Brinston, Ontario)***

Key Challenges in Non-Profit Board Governance

- Shifts from operational to policy governance boards
- Recruiting qualified board members due to:
  - Time demands
  - Concerns about liability
  - Need for specific skills (finance, legal, communications, strategic planning)
- Board-staff relations – clarity of roles
- Orientation and training opportunities for board members
- Pending changes to the Corporations Act, Income Tax Act

A number of the leaders emphasized the challenges of recruiting skilled board members as well as the importance of providing orientation and ongoing training. While it remains important to have board members with a strong belief in the organization's mission and the capacity to make a time commitment, being individually and collectively equipped to oversee the organization and ensure its future viability requires more.

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

Aside from the statutory obligations that board members have and their role in monitoring the impact of the work of the organization, boards are being called upon to be creative, innovative, and resourceful in their approach to strategic planning. Building upon traditional relationships while branching out into new territory and forming new alliances is seen as a critical factor to building robust organizations.

> ***."…diversification of core funding strategies, including earned income, philanthropy (online and traditional), and corporate alliances. Boards must be trained in the nature of these strategies, their limits, and the demands on the organization's mission, skills, and knowledge."***
> ***(Ted Jackson, Carleton University, Ottawa)***

Vic Murray, in his a paper delivered at the Boards and Beyond: Understanding the Changing Realities of Nonprofit Organization Governance conference[19] held in Kansas City in March 2005, provided a scan of the research done on success factors for boards of directors. An excerpt follows:

Nevertheless, the following practices have been found ***by more than one research study***[1] to be associated with boards that are perceived to be effective. Effective boards are more likely than ineffective boards to:

- Engage in regular and specific efforts at board training and development (Brudney and Murray, 1998; Green and Gresinger, 1996; Herman and Renz, 1997, 2000; Herman, Renz and Heimovics, 1997; Holland and Jackson, 1998; Nobbie and Brudney, 2003; Price, 1963)

- Attempt to clarify the roles and responsibilities of the board vis a vis the CEO and staff/volunteers (Herman and Renz, 2000; Herman, Renz and Heimovics, 1997; Holland and Jackson, 1998).

- Make explicit efforts at developing a strategic plan for the organization (Bradshaw, Murray and Wolpin, 1992; Herman and Renz, 2000; Herman, Renz and Heimovics, 1997; Holland and Jackson, 1998; Siciliano, 1996, 1997).

- Stay focused on priorities (Holland and Jackson, 1998; Harris, 1993).

- Attempt to assess their own performance at regular intervals (Herman and Renz, 1997, 2000; Holland and Jackson, 1998).

- Place emphasis on external relations activities (Herman and Renz, 1997, 2000; Miller, 1988; Middleton, 1988.

(Vic Murray, Victoria, British Columbia)

[19] Conference was presented by The Midwest Center for Nonprofit Leadership, L.P. Cookingham Institute of Public Affairs, Henry W. Bloch School of Business & Public Administration, University of Missouri – Kansas City and The Nonprofit Quarterly

Understanding the environment in which the organization is operating, having the skills, and forming the relationships are the three main areas that our commentaries covered. How organizations can go about attending to these areas will vary.

"A key characteristic of board effectiveness is the conscious attempt to recruit individual directors with specific and multiple skill sets – financial expertise, corporate contracts for fundraising, government relations, community-based experience, marketing and communications, governance, human resources, organizational leadership . . . and knowledge of the charity's customer base."
(Gwyn Williams, Toronto, Ontario)

Joy Calkin, chair of the board of directors of the Muttart Foundation, felt that, aside from the skills set, experience, and perspectives that are brought to the board by the individual members, the climate created at the board table is critical. Below are her thoughts as to how to set the table:

A great board is one where:

1. Great debates are carried out within the context of civility.
2. Passions and dreams can take flight.
3. Diverse opinions and perspectives are actively sought.
4. Risks are taken and lessons courageously learned from things that do not quite work out as planned.
5. Respectful creative tensions can safely surface between board and staff.
6. There is a finger on the pulse of the external environment and members are able to anticipate the impact on the organization and the sector and lead change through innovation.

(Dr. Joy Calkin, Nova Scotia)

8. FOCUS GROUPS

To enrich the input gathered from the survey, key informants and leadership interviews, the research team held focus groups in Toronto, Ottawa, and Halifax. Focus group participants were asked to add to the trends reported earlier and identify key challenges facing their own organizations, successful board practices used in organizations with which they have been involved, strategies for increasing board engagement, effectiveness, and accountability, and tools and metrics to measure board effectiveness.

Eighty individuals from across Canada submitted focus group applications. Thirty-seven were selected to participate in the focus groups sessions held in October. A number of the participants were from organizations that were Conference Board governance award winners and finalists. While the initial intent was to host ten focus groups across the country, funding limited the number conducted. Thus, the researchers asked western focus group applicants to respond to a questionnaire. A number of completed questionnaires were received and have been incorporated into this section of the report.

Profile of Focus Group Participants

The following graphs provide various profiles of the focus group participants.

FIGURE 11: Distribution of focus group participants by sub-sector

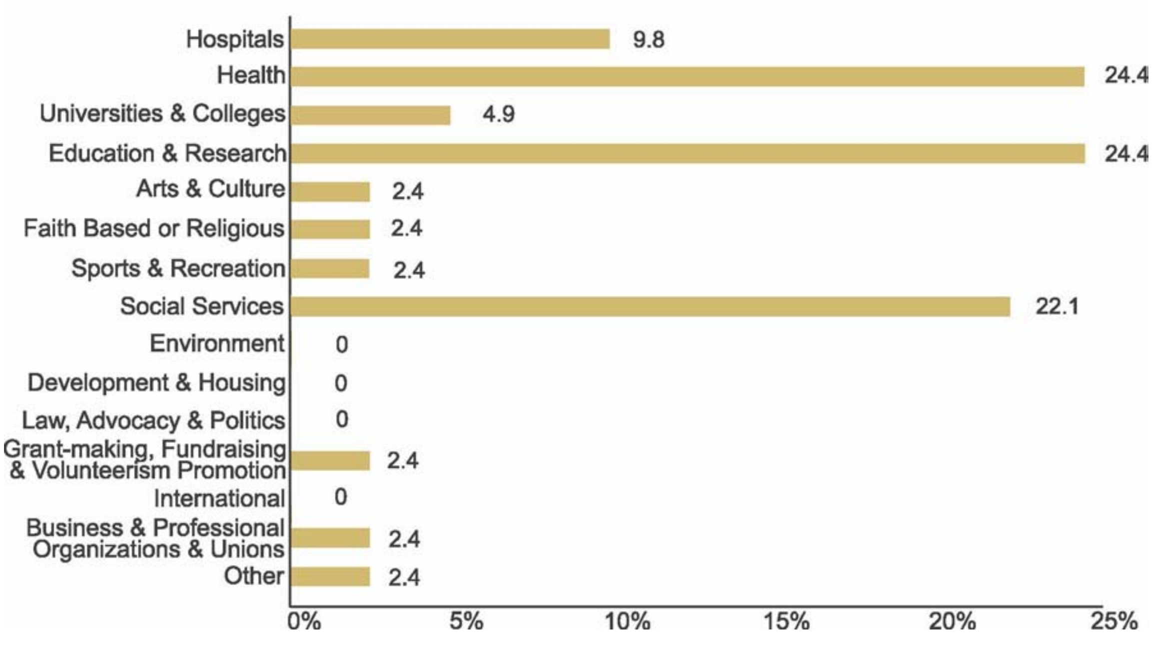
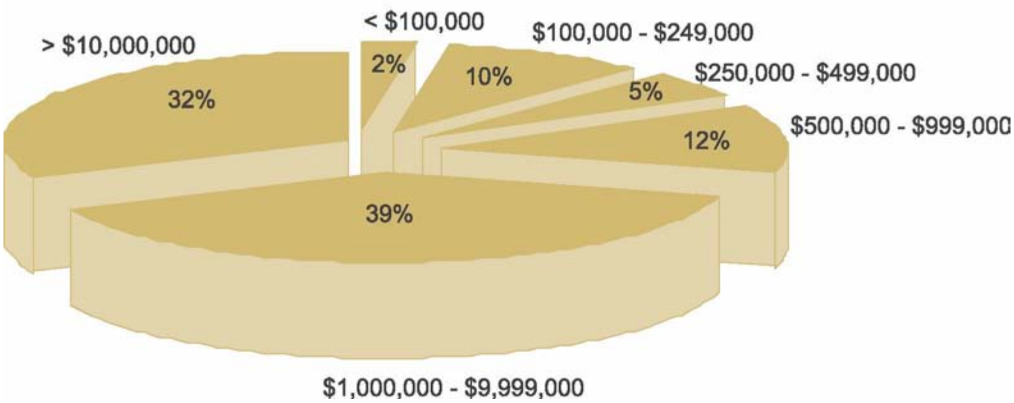


FIGURE 12: Size of annual budget



Trends Affecting the Non-Profit Sector

Focus groups sessions began with a discussion of environmental trends. The facilitators shared with the participants the trends identified by the key informants and were asked if they could pinpoint any additional trends. Participants cited the following trends:

Financial Resources

- More charities and less money to go around, leading to increased competition for funds (grants & donations)
- Increase in other types of donations as an alternative to dollars

Human Resources

- More charities and less people to help lead
- Increased dependence on volunteers
- Increasing competition for qualified directors
- Increased demand for volunteers, which require more supervision
- New willingness on the part of employers to have voluntarism as part of the work week
- More inclusivity and diversity
- Graying of the volunteer base

Donors and Funders

- Donors becoming more involved and following their dollars
- Corporations moving away from philanthropic dollars to marketing dollars
- Foundations undergoing changes in their mandates
- Government funding more costly and time consuming to obtain

Programs and Services

- Increased demand for services in a limited funding environment
- More downloading of responsibilities from government to non-profits

Partnerships, Networks and Collaborations

- Increased emphasis on partnership and improved efficiency (scale matters)
- Increase in integration and amalgamation driven by funders, vision, necessity

Accountability

- Increased donor requests for accountability
- More information required by funding agencies, often to get less funds

Performance Assessment and Evaluation

- Business measures being applied to non-profits

Key Challenges Facing the Non-Profit Sector

Once again, the facilitators shared with the focus group participants the challenges identified through the key informant interviews and leadership commentaries and were asked if they could identify additional challenges. Focus group participants cited the following:

Human Resources

- Need to "professionalize" staff given increased demands for accountability, information and services
- Competition for talent with the for-profit sector where resources are greater
- Succession planning
- Litigious atmosphere – difficulty in "firing" unwanted staff

Programs and Services

- Mission drift

Partnership, Networks and Collaborations

- Determining an appropriate partner

Performance Measurement

- How to measure success

Marketing and Communications

- Need for branding and marketing to compete and avoid confusion
- Ability to differentiate from other similar service providers
- Need to develop a powerful case for support

Trends Affecting Board Governance in the Non-Profit Sector

The discussion of environmental trends was followed by a discussion of trends that specifically affected board governance. The facilitators shared with the participants the trends identified by the key informants and were asked if they could identify others. Focus group participants cited the following trends:

Financial Resources

- Increasing cost of meeting higher governance and regulatory standards

Human Resources

- Increasing requirement for board members to fundraise
- Increasing amounts of time required from directors as organizations become larger and more complex,
- Increasing demand for highly professional people
- Increasing demand for early retired people for boards – everyone wants them
- More emphasis on identifying and bringing the right skill set to your board

Accountability

- Increasing litigiousness of Canadian society

Standards in Board Practices

- Rising expectations for all directors.
- Increased attention being paid to risk management
- More boards making in-camera sessions standard practice

Key Challenges in Non-Profit Board Governance

Having identified the trends and challenges facing the non-profit sector, the focus group participants turned their attention to the **key challenges faced by their individual boards**. During this part of the session, focus group participants worked in small groups and then presented their findings to the larger group. The following is a summary of those discussions.

Board Culture

- Creating a culture of trust
- Enhancing objectivity and encouraging respect for the expertise of other board members – one group noted that it is not necessary to have an opinion or comment on everything
- Ensuring the board is disciplined enough to follow policies or change them if inappropriate
- Dealing with personality and relationship issues
- Engaging board members
- Getting the board/CEO/staff relationship right

Role Clarity and the Governance Work of the Board

- Gaining consensus for a governance review – some board members are unsure of the value of governance and want to maintain the status quo
- Educating board members on governance
- Understanding the directors' roles and accountability – lack of understanding can cause conflict and dysfunction
  - Understanding who directors are accountable to
  - Separating personal and corporate objectives
  - Having directors who are also fundraisers and donors has the potential to compromise governance role
  - Defining the role of philanthropy for board members
    - Making it clear whether board members are required to be donors
    - Determining and communicating how much time, talent or money is expected
- Defining the role of the board, determining its characteristics and how it will function
- Understanding the role of staff members on the board
- Ensuring that the board focuses on the right issues (board chair's responsibility)
- Engaging board members in the governance of the organization vs. the management of the organization
- Board member competence for strategic planning

Succession Planning, Nomination and Recruiting

- Finding good chairs, i.e. individuals that have leadership skills and time to devote to the organization
- Finding and retaining qualified board members who can not only fill the organization's needs but make the time commitment required

- Qualifying board candidates
- Educating the board on the roles and accountability of directors prior to a search in order to make board members part of the recruitment effort
- Identifying what skills are needed and imbedding them into the nomination process in order to increase the skill pool and diversity of the board
- Getting the appropriate balance of donors, fundraisers and governors on the board
- Knowing where to source qualified board members
- Dealing with competency of designated/appointed board members
  - Educating them as to their role and who they are accountable to
  - Increasing their knowledge of governance
  - Engaging them in the governance work of the board
- Removing problem directors
- Selecting, building, and developing leaders
- Dealing with aging demographics – volunteer board members are retiring and there doesn't seem to be the same level of involvement from the next generation

Director Education and Board Development

- Designing a process for cultivating and educating board members
- Developing an appropriate orientation program that clearly articulates the mission of the organization and the expectations of board members
- Determining what information the board actually needs, and the need for staff support and staff/board cooperation
- Developing board members and leaders – not only defining the process but finding the resources and the time to do so
- Understanding the business of the organization and the changing climate of governance
- Knowing the right questions to ask

Assessment and Evaluation

- Setting objectives and evaluating performance of the board, CEO, and organization
- Identifying metrics for success and determining the most appropriate metrics to use
- Finding good tools to evaluate how well the board is governing the organization

Higher Ethical Standards, Increased Expectations for Accountability and Transparency

- Receiving money from various sources requires an ethics committee or ethics policy around donations
- Determining what level of detail should be disclosed – board meetings and public reporting
- Ensuring accountability to funders and finding the financial resources particularly in smaller organizations to hire a professional to provide financial oversight and ensure compliance to meet the accountability expectations of funders
- Putting a process in place to ensure that monitoring is taking place

Consolidation vs. Differentiation Amongst Similar Charities

- Competing for donor dollars
- Determining whether the organization will serve the community better if it partners with other charities that provide similar or complementary services or differentiate itself

Risk and Crisis Management

- Assessing and managing risk and carrying appropriate D&O coverage for directors.
- Dealing with director liability issues, which have deterred some potential candidates from accepting board seats

Following the presentations, focus group participants were asked to select the most important four challenges from the list above. These formed the basis for the successful practices identified in the next section of this report.

The top challenges identified by the three focus groups were:

- Getting the board to buy into improving board governance
- Finding and retaining qualified board members
- Succession planning
- Training, engaging, orienting, and developing board members
- Role clarity
- Leadership – identifying, building, developing leaders
- Board/CEO relationship
- Strategic planning
- Risk management and liability
- Board assessments
- Identifying metrics for success

Successful Practices

Having identified the top challenges, focus group participants met in small groups (aside from Halifax where the size of the group made a general discussion more appropriate) to talk about successful practices that they have used or witnessed on boards with which they have been involved. Some went further and discussed who was responsible for leading the change, who was involved in effecting the change, what staff support was required, whether it required a policy or by-law change, and how the success of the practice was measured. The anecdotes and successful practices were then shared with the larger group. The following summarizes their thoughts:

CHALLENGE: Getting the board to buy into improving board governance

Successful Practice:

- While everyone must be involved, you need to give the board something concrete to debate. Involve everyone first through assessments and focus groups, and then hand things over to a committee, which is charged with coming back with a plan to discuss. Facilitator canvases and holds focus groups and then someone needs to pull it all together and put something concrete on the table that people can speak to.
- One option is to have a committee come back and present options rather than a plan
- This was done using an outside facilitator. Outside facilitators are more independent and objective, have more perspective, can add expertise, and bring an air of legitimacy, and help overcome resistance.

The chair and governance committee/executive committee were responsible for leading the change. The chair needs to set tone, drive change, and ensure follow through. In order to effect the change, the entire board and the CEO need to be on side. This organization also used outside resources to help effect the change. Some meaningful staff was required to coordinate efforts.

Policy and by-law changes were needed to support these practices. These changes involved changes to committee structure, governing guidelines & responsibilities as well as policies and procedures.

To measure the success of the practice, the organization required a self-assessment policy and process for evaluation and measurement as well as measurement tools that ensured objective assessment. Poor response to the assessment form says something in itself.

It was emphasized that the board has to want to change. A catalyst certainly helps. If there is no crisis it is difficult to make change based on how much better an organization can be. When doing an assessment it is a good idea to have a committee come back and give the board options.

CHALLENGE: Recruiting qualified board members and succession planning

Successful practice #1:

- Establish nominating committee
- One organization uses not only the nominating committee, but the whole board to get its name out and scout for good members. Everyone, including top staff, is involved in identifying board members. Suggestions go to the chair.
- Recruitment is an ongoing process that requires active and ongoing cultivation and recruitment
- Know what you are looking for
- Advertise and make use of free community articles
- Call for nominations
- Encourage volunteers and assess them for suitability for the board
- Look for community leaders
- Actively seek candidates from the "professions"

The CEO is responsible for leading the change in that he or she must be actively looking for potential board members and raising the profile of the organization.

Successful practice #2:

- In a multi-layered organization, nominating committees at the regional level must give three names to the national board so that the national board can select from among them
- Have an application process with defined criteria and required competencies[20] based on position descriptions.
- Have a public call for directors – advertise in newspapers
- Stagger board terms so there are two new board members per year on a 12 person board.
- Have all members chair a function.

CHALLENGE: Ensuring that politically appointed directors meet the board's criteria

Successful Practice:

- Made by-law changes to the charter, guiding principles, etc.
- Sought the assistance of the minister involved to allow for three names to be put forward from each appointing body
- Developed a list of director skills required – one board built a competency matrix to identify the current board member skills as well as those required
- Sent out a letter in advance to each appointing body, outlining the board's needs
- Created/updated a Director's Handbook that set out obligations and commitments of directors, guiding principles for each committee, policies and process, etc., so that the new directors had easy access to all of the above

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[20] Note that the ICD is working on 18 competencies that they feel a director should have

CHALLENGE: Training, engaging, orienting, and developing board members

Successful practice #1:

- Be honest in telling new board members what being on the board is all about and the process for change. Set clear expectations before you ask them to join the board.
- Arrange for the chair/CEO to meet with new board member individually or in small groups to outline plans, purpose of the organization, and expectations
- Provide a tour of the organization
- Always provide time for a staff presentation in board meetings – visions, challenges, opportunities - so that the board can get a better understanding of the organization and its key people
- Get board members involved in some aspect of the organization so they can get their hands dirty and find out what the organization is all about
- Have board retreats that are not just about strategic planning, but about the current and evolving role of the board
- Set aside time at least once a year to look at where the board is going, i.e. governance planning, etc.
- Bring in some of those being served who can speak passionately about the cause and the issues
- In the case of independent schools, put recent graduates on school boards. They will bring a fresh perspective and get directly to the heart of the matter with much more authority than the headmaster. They will also let people know what they have given to the school and ask others to do the same.
- Bring in outsourced people to help with an education process around obligations and responsibilities. Bring in legal counsel. This gives people peace of mind and clarification.
- Inform board members about insurance during orientation process

During the report back and discussion, suggestions from the group included:

- Ask for assessment of orientation
- Bring in students/constituents and consultants to talk to the board
- Add governance/nominations committee if you do not already have one

Successful practice #2:

- Board binder with policies and procedures is great, but doesn't work if you do not have a champion to push its use
- Need commitment by the entire board that board development is a priority. Once you have that, put it in the hands of two members of the executive (so that one can back up the other) in order to ensure due leadership. They become the champions, encouraging other board members to bring issues around board development to each meeting. Sometimes it can be as simple as an article that can serve as a basis for discussion. Inclusion and discussion lead to a growing commitment to the idea of board development.
- Critical is a champion to keep it alive
- Board development should be prescriptive and mandatory
- Make board development part of orientation and make it mandatory

The board executive committee championed this change and the executive committee and ultimately all board members were involved in effecting the change. CEO and senior staff commitment were needed along with some staff support. In terms of the success of the practice by the board that implemented it: so far, so good.

Successful practice #3:

- Orient new directors
- Conduct ongoing training that includes:
  - Members bring articles on development
  - Speakers (once or twice a year)
  - Staff presentations
  - Ongoing training
- Conduct self-evaluation of individual directors and the board to identify training needs and set both individual and board goals for the year

CHALLENGE: Role Clarity - Roles and responsibilities

Successful Practice:

- Have very clear governance manual and training. Define role of the board, role of committees, policies & processes, responsibilities of directors.
- Do both internal and external training (various ICD events and programs)
- Aim for more than 50% participation in training exercises. Will never get to 100%, but 50%-60% is thought to be a critical mass.
- Board and committees have annual work plans as well as an annual agenda. These plans are approved by the committee and the board. The annual agenda helps people keep focused on policy. An example of this would be to plan to have the board discuss the HR policy at the March meeting and the IT strategy at a subsequent meeting. This helps keep people focused at the right level.
- At the annual board retreat there are sessions for general education on a topic on which they have consensus (and would not normally come up at a board meeting) (50%) and sessions that relate to board processes (50%). This typically takes place after a board evaluation has been completed.

In this case, the board executive and an external governance consultant were involved in effecting the change. They noted that it was important to ensure that the board works with the staff to ensure that the board is focusing its attention on strategic issues. Staff support was required to prepare materials for key agenda items. In order to determine the success of the practice, the board performed a self-evaluation with a 100% participation rate.

CHALLENGE: Role Clarity - Constituencies – Are they there as representatives of another group or are they there to work on behalf of the organization as a whole?

Successful Practice:

- Provide a clear definition of directors' roles and responsibilities
  - Can help eliminate someone who feels he is there for his constituency. One organization had a candidate pull out once he understood his responsibilities.
- Provide training
- Requires continuing vigilance
- Chair must play an important role in reinforcing the proper accountability
- Talk about the issue openly at the board level. In that way, board members will call their fellow board members on it when they try to represent their specific interest.
- In one organization that elects board members from their membership, the board chooses a nominating committee that consists of individuals who cannot run for board membership. They have put in place a training program for the nominating committee so that committee members fully understand their responsibilities. While there is no control over who gets elected, they are at least trying to control the quality of the candidates.
- Have a process for dropping board members

The board executive was responsible for leading the change, but it involved the entire board. Requires a nominations committee that is arms lengths from the board.

CHALLENGE: Role Clarity - Separating board/management roles

Successful Practice:

- Start out by reviewing various models and adopting a model of practice. This will determine the preferred direction and ongoing education requirements.
- Preferred direction has to be in keeping with mission, vision, values, strategic plan and the organization's needs
- There are many models out there and the board adapts a model to suit its needs. Once that direction has been determined, you can import the ongoing education.
- You need to be constantly re-evaluating and re-assessing your model – this is an ongoing process. An example was the big move to Carver's Policy Governance Model and the subsequent move away from it by some organizations.
- Ensure that the board agenda is focused on strategic board issues

The board is responsible for leading the change. The chair provides significant leadership and the CEO provides considerable support. Partners and external consultants were involved as needed. Staff support came primarily from the CEO.

This involved a policy or by-law change that included a decrease in board size and a change in the committee structure. A policy also needed to be adopted that clearly set out the difference between operations and board governance.

Success of the practice was measured through:

- On-line feedback from stakeholders
- Assessment by board & CEO
- Compared with “ends” statements (for those that use Carver)
- External review

CHALLENGE: Leadership – How do you recruit and identify leaders?

Successful practice:

- Include leadership experience in initial recruitment criteria
- Use Directors’ register
- Look within existing volunteer base
- Make use of peer assessments to identify with leadership potential

The nominating and governance committees were responsible for leading this change, with the nominating committee involved in effecting the change. Staff had minimal involvement in the form of identifying some appropriate volunteers. No policy change was required. The success of the practice was measured indirectly, i.e. through the success of the organization, the success of the meetings, and the continuity of board leadership over time (succession). A leadership problem exists if you have gaps.

CHALLENGE: Leadership – How do you develop & educate leaders?

Successful practices:

- This group felt that progression was the way to develop leaders
- Directors-in-training: bring people on board at the committee level in order to test drive them. Progression can be task force chair → committee chair → vice chair → board chair.
- Determine what makes a good chair
- Some designate incumbent chair a year in advance so that the individual gets to work with the board chair (this works for committee leadership as well)
- Nominating committee chooses the committee chair, but committee members choose the committee vice chair, who then has an opportunity to lead in the chair’s absence
- Approximately half of the organizations represented in the focus group session had vice chairs that automatically become chairs
- Some organizations have past chairs that stay on
- Education provided by governance colleges, seminars, publications
- Bring outside consultants in to help with education and development
- Governance committee can set up education and development agenda/program for the year
- Set up first hour of every meeting for educational presentations
- Bring in-house management and staff into board meetings to have them talk about their current issues and showcase them as part of their education at the same time. Chair is responsible for driving this.
- Governance committee can set up program for the year

The chair and governance/nominating committee were responsible for leading the change. It was felt that a certain degree of authority could be put in the bylaws to be able to have committee members or directors in training. The governance/nominating committee was involved in effecting the change. Staff support was required to identify and recommend potential chairs, to prepare presentations, and coordinate outside consultants. This practice may require a change to the by-laws if the by-laws contain a structure for succession. The success of the practice is measured in terms of functioning committees that fulfill their mandates and the degree to which the new leadership is successful.

CHALLENGE: Ensuring successful Board/CEO relationship

Successful practice[21]:

- Open, frank, timely communication between chair and CEO
- Roles clear, expectations made explicit
- Board has confidence in CEO & vice versa. If confidence is missing on either side, you have a problem that will consume the time and the energy of both parties
- Mutual respect, which includes an ability to disagree and a level of comfort that your comments will be received well and that you will not be barred as a result of expressing your views. (The chair is the boss so the power in the relationship is unequal.)
- Board is given balanced, thorough documentation on issues (prepared by the CEO because he has a more detailed knowledge, but checked by the chair to ensure that the CEO is presenting things fairly). The chair must have a deeper understanding of the issues than the other board members and must deal with the politics of how the board deals with these issues. This requires political skill, which is a mandatory competency for chairs.
- Trust is essential and in order to build trust, you must deliver
- A CEO will be there longer than the chair so the CEO must be flexible enough to work with a variety of chairs
- Chair must skillfully steer discussion in board meetings
- The chair is also responsible for disciplining board members who try to “play” the CEO, cutting them off at the pass. The chair must be firm when board members delve into a management issue, ensuring that they cease and desist.
- The board chair and CEO must spend time together preparing for board meetings
- About half of the focus group participants indicated that they hold in camera sessions. The board chair is responsible for communicating with the CEO immediately after an in camera session.

The change is led and effected mainly by the CEO, who has to be accommodating to ensure a strong relationship, but also by the chair. Staff is responsible for preparing briefing notes on the issues and ensuring that the CEO is reporting fairly, factually, etc. The measure of success is a successful relationship.

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[21] The group separated the concept of the board chair from the board and as a result were speaking about three entities here rather than two.

CHALLENGE: Strategic Planning

Successful practice #1:

- One group saw four components to the strategic planning process
  - Manage and direct the process
  - Ensure stakeholder participation
  - Implement the strategy
  - Monitor and evaluate the effectiveness of the strategy
- Visioning part comes from the board. Stakeholder (including staff) should participate in generating ideas.
- There was no consensus on the process. For some, the visioning is done at the board level, the staff adds legs to the vision, and the plan comes back to the board for approval. One participant, from an organization with significant staff, indicated that his organization went the opposite way. For some, the executive and management work on the strategy together.
- Some participants use facilitators, while others feel the process should be managed internally. Many boards hire a lot of different consultants, all with different perspectives. If you use a consultant, stick with them for a while.
- The strategic plan must be a living document. To prevent the strategic plan from being put on the shelf, management presents, at the board meeting prior to the budget meeting, an annual business plan. Every item in the business plan must be linked specifically to a strategic initiative. If someone wants to put something into the business plan, the staff has to determine how it fits in with the overall strategy.
- CEO's goals have to relate to the strategic plan as does the budget, etc.
- Review strategic goals and benchmarks annually

This group felt that the board and senior management were responsible for leading the change, with involvement from both the staff and volunteers. Staff support was required in both communication and administration. The metrics used to measure effectiveness were targets, outputs, and deliverables and an annual performance plan review.

Successful practice #2:

- Hold annual strategic planning session (board and senior management) and formalize the strategic planning cycle

The board and management made a joint decision to initiate the practice. The chair leads the annual board strategic planning session and management executes the plan.

The board chair, a board committee, and the CEO were involved in effecting the change. An executive led the process and two administrative staff were required to support the annual strategic planning session. An executive lead is required to support the annual cycle development, implementation, and facilitation.

The success of this practice is measured with a post retreat survey and an annual board evaluation, which includes an evaluation of the annual strategic planning session/retreat and ongoing strategic direction/development.

CHALLENGE: Risk Management

Successful practice #1:

- Develop written policies, collectively define them, and centralized
- Have adequate insurance and know the limitations of that insurance
- Develop written procedures that follow the practices and ensure that everyone has been thoroughly familiarized with them and follows them
- Do crisis simulation and have crisis contacts
- Do a full and complete risk assessment and have it externally assessed → eliminate, control, or manage risks
- Create (replace old health and safety committee with) a risk management committee of the board (working sub committee of the board)
- Every member of the community has to be thinking automatically, "what are the risks?"
- Prevent crisis from happening through training and planning. If you can't prevent it and you have a crisis, have emergency response process and practice it.
- Media training: It is important to communicate the emergency response on a consistent and ongoing basis. The team leader spoke about the difference between Exxon Valdez and Tylenol. The latter admitted their mistake and continued to communicate their emergency response on a regular and ongoing basis so that people didn't think they were hiding things.
- Document and review your practice from time to time & evaluate its effectiveness. As risk increases and things change, things that you did three years ago may no longer be satisfactory.
- Should be a budget line item for risk management assessment and training
- Should be an item on each management agenda: "What's keeping me up at night?" Do an environmental scan and talk about potential crises and how to avert them. The primary move to action is an outside event.
- Before you can get into policies & procedures, you need to look at what you as an organization do, what activities support what you do, and what the potential risks are from those jobs, practices, etc. You then prioritize your risks. Next, look at frequency, severity, and probability. Prioritize. Determine what your greatest risks are. That can be evaluated on a variety of things, among them perception and frequency. Once you have identified and prioritized, then you start hitting them one at a time. This works for all types of risk. It is a management system that applies to health and safety as well as financial risk.
- Also dependent on what your culture is and how risk adverse your organization is. Determine if you have done everything that you can. Some of the independent schools have had to deal with this. They didn't stop doing the school trips, but they figured out how to handle the risk. They determined how to figure out if they had done everything reasonable and practical and how to prepare, train, and educate everyone for that process.

Typically an outside effect is the main catalyst. The CEO, board chair, and board itself are responsible for leading the change. Involvement moves from the board to the staff to the immediate community and then the greater community. Total staff support is required in the form of education, buy in, training, time, and practice, and understanding

why risk management is important. Thinking about risk management and acting appropriately should be standard practice and become part of the culture.
This required policies to be written based on observation, literature study on best practices and other organizations' experiences (then personalize). It cannot be taken off the shelf; it must be personalized. Success of the practice is evident when it becomes the concept in the forefront of the culture of the organization.

Successful practice #2:

- Evaluate risks, assign probability and degree of consequence scores, evaluate mitigation or avoidance measures based on cost vs. consequence, assign responsibility, and regularly report back to board on action

The chair of audit committee was responsible for leading the change. The CEO, supported by the board, was involved in effecting the change. Extensive staff support was required because it was a new way of approaching operational issues.

This practice required a policy and by-law change that assigned responsibilities to the audit committee to provide quarterly reporting of various risks and annual evaluation of the total risk program.

This practice is considered to be successful if the organization has correctly identified its risks (operational, financial, program) and taken steps to mitigate them.

CHALLENGE: Board Assessment

Successful practice #1:

- Organization defined what success was
- They then determined what skills were needed and did a self-assessment to determine the gaps.
- They had clear objectives for the CEO. CEO has a job description with yearly objectives derived from the strategic plan
- A 360 review was used in the CEO's performance assessment

The quality committee was involved in effecting the change.

Successful practice #2:

- One organization has a board assessment committee
- They carry out a year-end survey. (It's a challenge to find tools.)
- They also do a performance evaluation of the CEO and the officers
- It's a facilitated process. The officers are asked to identify who will evaluate them. It is similar to a 360. The results of the performance evaluations are fed back to the board.

Successful practice #3:

- One organization has a member survey where members are asked the perceived role of the board and their objectives

Successful practice #4:

- One organization uses policy governance (Carver model)
- They have 4 board meetings a year and have a form and process for evaluating every board meeting
- They also have an annual board assessment
- They recruited evaluation expertise to the board to review how they evaluate themselves, i.e. measuring the right things

Successful practice #5:

- One organization set standards for the board and reviewed them annually and at the end of board meetings

The board chair was responsible for leading the change

Successful practice #6:

- One organization performs an annual review of successes, challenges, strategic plan, mission and vision, facilitated by an outside consultant
- Based on the results of the review, the board leads any changes that need to be made
- The board and senior managers develop the plans and the managers and staff implement and evaluate the plans
- Staff report on the challenges and successes and implement plans from a front line perspective

CHALLENGE: How to approach alliances and partnerships

Successful practice:

- Once the board became aware of need for a merger, one board began a two year process with many discussions and the ironing out of legalities
- Because of the lengthy process and the fact that board succession is an issue, it was important to choose a leader who could provide continuity
- Selecting the right leader is important because empire building can be an issue
- Setting the strategic direction is important to ensure that new entity meets the needs of the each of the partners
- Establishing role clarity is important to ensure the partners understand each of their roles in the new entity
- A question that had to be answered was “Should the board be on the management committee?” In this case the board was on the management committee.

Measuring Board Effectiveness

Focus group participants were asked to share their ideas regarding metrics for measuring board effectiveness. This proved to be the most difficult question for participants to answer. While a small number of metrics were suggested, most of the responses spoke to methods of evaluation and/or elements of evaluation rather than specific metrics. In addition, participants had difficulty differentiating ways of measuring the effectiveness of the board from the effectiveness of the organization. Several questioned if they should be one and the same.

The following points capture their thoughts:

- **Determine indicators of healthy organization and how they are trending**
  For example:
  - Financial stability
  - Reputation
  - Retention rate
  - Fundraising cost per dollar raised

- **Evaluate board based on agreed upon board practices for:**
  - Nominating or board development committee
  - Board profile
  - Nominees interviewed
  - Written selection criteria for board members
  - Board manual
  - Orientation for new members
  - Written policy about attendance at board and committee meetings
  - Written policy on dismissal for absenteeism
  - Absenteeism policy enforced
  - All board members have office or committee responsibility
  - Agenda distributed prior to meetings
  - Annual board retreat
  - Executive committee of board
  - Written policy specifying roles and powers of executive committee
  - Collective board self-evaluation
    - Board self-evaluation results distributed and used
    - Evaluation of individual members
    - Members receive feedback from individual evaluations
  - Board process for CEO appraisal
  - Limit on number of consecutive terms for board members
  - Recognition of retiring board members

- **Elements of board effectiveness:**
  - Financial management
  - Fundraising
  - Program delivery
  - Public relations
  - Community collaboration
  - Working with volunteers
  - Human resource management
  - Governance relations
  - Board governance
  - Program Evaluation

- **Set measurable objectives and measure success in reaching them.** Start with strategy and ensure that each part of the strategy has strategic objectives that are measurable. If you can't measure your objectives, you have the wrong objectives. Review strategic goals and benchmarks annually.

- **Measure the effectiveness of board meetings**. One organization has a board member at each board meeting responsible for assessing each meeting.

- **Determine staff satisfaction.** Survey is one suggested tool.

- **Determine stakeholder satisfaction.** Determine this through a survey.

- **Determine if turnover is appropriate**

- **Determine if funding levels are meeting set targets**

- **Determine if board members have signed off on all appropriate board policies**

- **Create a work plan and monitor it.** Rather than creating a new strategic plan every three years, focus instead on strategic direction. Each year there is a corporate work plan (board work plan) and an operational work plan (staff work plan) that should be closely aligned. That is what you would measure in terms of the output. The board's work plan would include reviewing policies, revisiting by-laws, ensuring the organization does what it is supposed to do in the area of risk management, reviewing and updating the enterprise risk management framework every year and ensuring it's up to date, etc.

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

- **Distinguish between measuring the board and measuring the organization.** If you put some corporate objectives in as board measures, they do not really reflect the role of the board. One organization tried to take it back to the role of the board in strategy and how you compensate an executive long term. Another tried using a balanced scorecard, but found that timelines were a problem. What they wound up with was effectively the scorecard for the corporation.

- **Adapt the CEO evaluation**. One organization believed that it was really no different than that used for the CEO except that it should contain those items that are on the board's work plan. They, noted, however, that they were not satisfied with what they had opted to do.

- **Measure over time.** Need metrics that go beyond one year to determine if the organization is healthy over time.

- **Determine percentage of strategic plan competed.** One organization has a five year rolling business plan. They determine how well they are doing by seeing how close they are to completing the plan three years out. If they are 90% of the way in three years, they know they are on track.

- **Use qualitative measurement.** One participant suggested that the board's responsibility is to do the best it can and that metrics cannot be put around their success. He believed that the higher up you go up in an organization the more difficult it is to put metrics around things and that the board should be measured in qualitative terms.

- **Survey stakeholders.** One organization has an online feedback tool that surveys parents and other stakeholders. Another has an online board evaluation. Another suggests the use of an accreditation survey if one is available.

- **Set board member expectations and evaluate on the basis of those expectations.** One way to measure board effectiveness includes having a clear outline of the expectations of board members and the tools to evaluate whether those expectations are being met.

- **Design annual work plan and evaluate based on accomplishments.** A clear strategic plan with annual work plans provides a means to evaluate what has been accomplished and allows an organization to stay on track. Regular review of the mission and vision can keep work focused. Have someone from the outside evaluate how you are doing for an unbiased perspective. In addition to formal tools, sometimes you just need to look at your contribution to the greater good.

- **Hold annual peer, board, and individual board member assessments.** Ask board members annually what the board should start, stop and continue doing.

9. COMMUNITY ROUNDTABLES

Community roundtables were held in Edmonton, Alberta and Montreal, Quebec to target smaller, grassroots and community based organizations, many of which have no staff, to determine the key issues and challenges they are facing and how they play out in a local context.

Participants at the community roundtables were from organizations that were not part of national or provincial organizations, and that had annual budgets of less than $500,000. There were a total of 22 participants and each session was between 2.5 and 3 hours long.

What was striking about the participants in these two sessions is that by and large, they shared the following characteristics:

- Small organizations
- Community-based with a local mandate
- Providing direct service
- Involving volunteers in the provision of their programs and services
- Many under five years old
- Described their boards as operational in orientation

In the community roundtables, people were asked to share a word that they felt captured the spirit of good governance. The words are listed below.

- Accountability
- Creativity
- Champions
- Diversity
- Enabling
- Energized
- Engagement
- Enthusiasm
- Equity
- Forward-thinking
- Guidance
- Honouring commitments
- Inclusion
- Insightful
- Inspiration
- Knowledgeable
- Optimism
- Leadership
- Outcomes
- Policy-setting
- Power
- Process
- Relationship building
- Representation
- Strategic planning
- Strong fence/ parameters
- Support
- “The Buck Stops Here”
- Transparency
- Vision
- Working as a team

In small groups, people were asked to identify the key trends that they were aware of in the non-profit and voluntary sector. These were then shared in the larger group and the perceived impact on board governance was explored. A summary of the two sessions can be found in the following table.

TABLE 4: Trends observed in the voluntary sector and the impact it might have on board governance

Trend	Perceived Impact
Expectations to be more "corporate"	Board/organization lack the capacity to compete with larger/better resourced organizations/not taken seriously
Aboriginal-specific services being offered by "mainstream" organizations (because they have the resources to go through application process)	Board members feeling torn between wanting community to ***access*** services and wanting community to ***provide*** services
Emphasis on partnerships and collaboration	Partnerships take time to develop and trust to be nurtured – board members may carry histories that are barriers to building bridges
Challenges for local organizations when approaching national corporations	• Board members' relationships with local corporate employees no longer useful in leveraging corporate dollars that are controlled by head office • Tensions arising between local, provincial, and national organizations
Focus on new initiatives	Lack of continuity and stability of programs
Pressures to diversity funding	Pressure on boards to raise funds and develop relationship with non-traditional funding sources
Focus on social enterprises	Traditional boards are risk-averse
Many new and emerging organizations - many organizations transitioning from all volunteer run with no budget to their first grant to manage and staff to hire/supervise	• Board-staff roles blending and changing • Board members not prepared for administrative functions and not aware of statutory obligations
Expectation that paid staff not only perform work duties but "subscribe to the cause" (work beyond normal work boundaries)	• Confusion of board-staff roles • Lack of clarity regarding overtime
Western-European/capitalistic system dominates policy thinking	• Not culturally appropriate • Seems inaccessible • Not reflective of inclusive decision-making models
Standardized system of policy development initiated by larger organizations	Blocks engaged debates, inhibits creativity and customized policy making
More emphasis on measurable outcomes	Pressure on boards and staff to produce statistical information, unit costs of services
Greater expectations of donors	Energy diverted from meeting clients' needs to meeting donors' needs
Less involvement of local parishes and religious congregations	Greater demands on boards to fundraise and recruit volunteers
Professionalization of the sector	More pressure to produce professional communication tools (flyers, brochures, website)

10. 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.

While organizations in the non-profit sector may differ widely in size, mission, and how they serve the community, they share common issues and challenges. The researchers found this in each method that was used to collect information for the study.
A number of themes emerged from the study. These include:

- **Leadership:** The importance of the chair's leadership role and the importance of selecting the 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**: Developing board leaders and planning 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 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 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.

The researchers were surprised that two 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.

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 that there is a balance between resources available and the value and benefit derived. Smaller non-profits will not always have the resources to implement processes in the same way as larger non-profits. 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.

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 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 board find resources to support their governance work in areas such as 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 that 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.

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 for-profit measures may not be appropriate, the sector must do more to set objectives and hold itself accountable for reaching those objectives.

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 governance practices have evolved in the non-profit and voluntary sector.

APPENDIX A: Useful Resources

The resources listed in this appendix were gathered from study participants. The authors of this report do not endorse or guarantee the quality of these resources or the organizations providing these products.

In Alberta there are resources for board development available through the government department of Community Development.

Useful Resources	
The Calgary Centre for Non-Profit Management	http://www.thecentre.ab.ca/
Ontario Hospital Association – Governance Centre of Excellence	http://www.oha.com/client/oha/oha_lp4w_lnd_webstation.nsf/ page/Governance+Centre+of+Excellence
Voluntary Sector Roundtable – Panel on Accountability and Governance in the Voluntary Sector	http://www.vsr-trsb.net/pagvs/index.htm
Tools for Better Governance and Accountability	http://www.vsr-trsb.net/pagvs/appendix_ii.htm
Mentoring Canada - Board Development Training	http://www.mentoringcanada.ca/training/Boards/index.html and http://www.mentoringcanada.ca/training/Boards/modules/ 5_bibliography.html
United Way of Canada – Centraide Canada – Board Development	http://www.boarddevelopment.org/
Conference Board – Governance and Corporate Social Responsibility	www.conferenceboard.ca/gcsr
ALTRUVEST	www.altruvest.org
National Center for Nonprofit Boards	http://www.ncnb.org/
Institute of Corporate Directors Corporate Governance College – The Governance Essentials Program: A Not-for-Profit Program for Directors	www.icd.ca
Canadian Institute of Chartered Accountants – Risk Management and Governance Board	http://www.cica.ca/index.cfm/ci_id/243/la_id/1.htm
Canadian Council on Health Services Accreditation	
The Directors College, McMaster University	http://www.degroote.mcmaster.ca/ExecEd/ directors_college.aspx

APPENDIX B: Short Biographies of Key Informants

DR. JAMES D. FLECK

Dr. Fleck, is an entrepreneur, business professor, philanthropist and art collector. He founded Fleck Manufacturing Inc. in 1954 and was CEO until 1994. He is currently Chair of ATI Technologies Inc. and serves as both chair and board member on a number of for-profit private and public companies. He is also Professor Emeritus at the Rotman School of Management, University of Toronto. Dr. Fleck has also served on a number of non-profit boards including: Art Gallery of Ontario (where he is currently President of Foundation), Harbourfront Foundation, National Ballet, Young People's Theatre, Council for Business and the Arts in Canada (where he is currently Chair), and many others. Dr. Fleck was named an Officer of the Order of Canada in 1997.

DR. DAVID S. R. LEIGHTON

David Leighton is Chairman of the Board of Trustees of the National Arts Centre in Ottawa and Professor Emeritus at the Richard Ivey School of Business Administration at the University of Western Ontario. Dr. Leighton served 13 years as President of the Banff Centre in Alberta, where he led the conversion of the Centre from a six week summer school to a year-round, arts and management centre of international stature. In 1971, he was the first Canadian elected president of the American Marketing Association and was the founding Chair of the Canadian Consumer Council. Together with his colleague, Donald Thain, he has published extensively on the subject of corporate governance.[22] Dr. Leighton was a member of the Dey Committee appointed by the Toronto Stock Exchange to examine corporate governance in Canada. The report of that committee, entitled ***Where Were the Directors?***, was published in 1994 and has had a significant impact on corporate governance. Dr. Leighton was named an Officer of the Order of Canada in 2003 and the Alberta Order of Excellence in 1982. He has chaired or served on a number of for-profit and non-profit boards including: Nabisco Brands Ltd., Gulf Canada Ltd., Toronto Symphony Orchestra, Orchestra London, Canadian Conference of the Arts, Council for Business and the Arts in Canada, Telefilm Canada, The Conference Board of Canada, Glenbow-Alberta Institute, Centre Stage, The Social Science and Humanities Research Council, Queen's University, and many others. He is an honorary Fellow of the Institute of Canadian Directors.

[22] David Leighton and Donald Thain published Making Boards Work: What Directors Must Do To Make Canadian Boards Effective, in 1997.

MR. JOHN MACNAUGHTON

John MacNaughton was the first President and CEO of the Canada Pension Plan Investment Board (CPPIB). He has served on the boards of public corporations in Canada, United States and Mexico. Prior to retiring from CPPIB, Mr. MacNaughton was an investment banker where he advised boards, public companies and private companies on a variety of strategic issues. As an officer of Burns Fry and Nesbitt Burns he reported to boards, and as a volunteer he served on boards. Most notably, Mr. MacNaughton was the chair the Princess Margaret Hospital Foundation when it published "Reaching For Excellence – Governance and Performance Reporting at the Princess Margaret Hospital Foundation" in 2001. He is currently a director of Nortel Networks Corporation and Canadian Trading and Quotation Systems Inc. He is also the Chairman of the Canadian Institute of International Affairs, a governor of CCAF-FVCI, a Canadian research and educational foundation dedicated to building knowledge for effective governance and meaningful accountability, management, and audit and a trustee of the University Health Network. Other non-profit boards that Mr. MacNaughton has served on include: Investment Dealers Association of Canada; The Empire Club of Canada; Progressive Conservative Association of Canada; The Canadian Stage Company; and Ryerson Polytechnical Institute (now University). Mr. MacNaughton became a member of the Order of Canada in 2004.

THE HONORABLE ROBERT KEITH (BOB) RAE

Bob Rae was the 21st Premier of Ontario, serving from October 1, 1990 to June 28, 1995. Rae was named an Officer of the Order of Canada in 2000, and awarded the Order of Ontario in 2004. He was appointed the sixth chancellor of Wilfrid Laurier University on July 2, 2003. Rae is currently a partner of Goodmans LLP, a Toronto-based corporate law firm, an adjunct professor at the University of Toronto, and a Senior Fellow of Massey College. He has served on a number of for-profit and non-profit boards including: Toronto General Hospital, University Health Network, Toronto Symphony Orchestra, Royal Conservatory of Music, Tennis Canada, Forum of Federations, Trudeau Foundation, the Destiny Foundation, and Institute of Research and Public Policy. Rae also works with boards in his role as a partner of Goodmans. He was involved with the re-structuring of the Red Cross and the Toronto Symphony Orchestra.

Mme. GUYLAINE SAUCIER

Guylaine Saucier was the President and CEO of Le Groupe Gérard Saucier Ltée, a company specializing in forest products from 1975 to 1989. Mme. Saucier is a corporate director and was recently Chair of the Joint Corporate Governance Committee. She sits on the boards of several major Canadian corporations, including Petro-Canada, the Bank of Montreal and CHC Helicopters Corp. As a leader within the CA profession, Mme. Saucier is a Fellow of the Institute of Chartered Accountants. She was Chair of the Board of Directors of the Canadian Institute of Chartered Accountants and Chair of the Board of Directors of CBC/Radio-Canada. She has also served on the Board of Directors of the Bank of Canada, as a member of the Commission of Inquiry on Unemployment Insurance, and was a member of the Ministerial Task Force on Social Security Reforms. Mme. Saucier was the first woman to be appointed President of the Québec Chamber of Commerce. She has played a very active role in the community as a member of the boards of various institutions, including the University of Montréal, the Montréal Symphony Orchestra and the Hôtel-Dieu de Montréal. Mme. Saucier was named a Member of the Order of Canada in 1989. Her citation noted that "she has displayed exceptional civic-mindedness and has made a significant contribution to the business world."

APPENDIX C: Analysis of Federally Incorporated Organizations

Sample Characteristics

Twenty-seven percent (27%) of the survey participants were from federally incorporated organizations. In general, federally incorporated participants had the same characteristics as the full sample with exceptions[23] in the following areas:

Geographic distribution
- 67% of full sample were from Ontario vs. 6% of federally incorporated
- 2% of full sample were from Manitoba vs. 73% of federally incorporated

Sub-sector distribution
- 14% of full sample were from the Hospital sector vs. 2% of federally incorporated
- 0% of full sample were from Environment sector vs. 4% of federally incorporated

Scope
- 12% of full sample were international vs. 20% of federally incorporated
- 22% of full sample were national vs. 48% of federally incorporated
- 27% of full sample were provincial vs. 17% of federally incorporated
- 50% of full sample were local/municipal vs. 34% of federally incorporated

Annual operating budget
- 41% of full sample were $1 - 10 million vs. 47% of federally incorporated
- 21% of full sample were over $10 million vs. 16% of federally incorporated

Number of staff
- 18% of full sample had 10 - 24 full time equivalents vs. 23% of federally incorporated
- 21% of full sample had 25 - 99 full time equivalents vs. 15% of federally incorporated
- 24% of full sample had over 100 full time equivalents vs. 17% of federally incorporated

Organizational structure
- 33% of full sample had both a corporate entity and a charitable foundation vs. 21% of federally incorporated
- 44% of full sample were a single corporate entity vs. 52% of federally incorporated

Board structure
- 19% of full sample had a parallel corporation and foundation boards vs. 9% of federally incorporated
- 52% of full sample had a single board vs. 59% of federally incorporated

[23] Differences of greater than 5 percentage points

Governance Practices

The survey participants from federally incorporated organizations by and large provided similar responses to the group as a whole. The differences[24] in responses are noted below:

- 76% of full sample reported that the board had sufficient staff to support the current committee structure vs. 71% of federally incorporated
- 45% of full sample reported that the organization had not established who was responsible for the organization's risk policy vs. 51% of federally incorporated
- 77% of full sample reported that their organizations had a written strategic plan vs. 70% of federally incorporated
- 44% of full sample reported that their organizations did not have a written strategic plan and had no plans to write one vs. 59% of federally incorporated
- 56% of full sample reported that their organizations did not have a written strategic plan but had plans to write one vs. 42% of federally incorporated
- 49% of full sample reported that their organization's strategic plan was completed in the past year vs. 61% of federally incorporated
- 30% of full sample reported that their organization's strategic plan was completed 1 - 2 years ago vs. 20% of federally incorporated
- 78% of full sample reported that the organization's strategic goals were translated into measurable objectives and benchmarks for the board to monitor vs. 66% of federally incorporated
- 80% of full sample reported that the number of board meetings was ideal vs. 88% of federally incorporated
- 53% of full sample reported that their board has the skill set necessary to evaluate a potential merger vs. 44% of federally incorporated
- 18% of full sample reported that they were not sure whether their board had the skill set necessary to evaluate a potential merger vs. 25% of federally incorporated

[24] Differences of greater than 5 percentage points

APPENDIX D: Analysis of Sub-Sectors

The researchers analyzed the survey results to determine if there were any notable differences in how survey participants from various sectors responded to the survey questions. The analysis focused on the five largest sub-sectors in the survey: Hospitals, Health Care, Education and Research, Arts and Culture, and Social Services. These sub-sectors comprised 65% of the sample

Table 5 summarizes where the **characteristics** of the sub-sector samples differed from the full survey sample. The table includes the percentage of responses to individual questions from the full sample as well as the sub-sectors where differences of greater than five percentage points were found. The information in table 5 provides some context for the discussion on governance practices below.

Governance practices

Table 6 summarizes where the **governance practices** of the sub-sectors differed from the full survey sample. The table includes the percentage of responses to individual questions from the full sample as well as from sub-sectors where differences of greater than five percentage points were found. The following presents that analysis by sub-sector:

Hospitals:

- Lower percentage reported that the board's committee structure does **not** facilitate the board's governance work
- Higher percentage reported that the board has sufficient staff to support the current committee structure
- Higher percentage reported that their organization does not have enough control over its revenue stream for board members to effectively exercise their fiduciary responsibilities
- Higher percentage reported that they publicly disclose governance practices and processes
- Higher percentage reported that chair terms were limited to three to four years
- Higher percentage reported that the time for a new board member to get up to speed was six months
- Higher percentage reported that the organization does **not** have a formal risk management policy
- Lower percentage reported that the responsibility for establishing risk policy belonged to the full board and a higher percentage reported that the responsibility for establishing risk policy belonged to the finance committee of the board
- Lower percentage reported that their organizations operate on a balanced budget and a higher percentage reported that their organizations operate on a deficit budget
- Higher percentage reported that their board meetings were two to three hours in length
- Higher percentage reported that less than 25% of their board meetings include lively debate of strategic issues; a lower percentage reported that 25% to 50% of their

board meetings include lively debate of strategic issues; and a lower percentage reported that more than 50% of their board meetings include lively debate of strategic issues

Health:

- Higher percentage reported that the board's committee structure does **not** facilitate the board's governance work
- Higher percentage reported that they publicly disclose governance practices and processes
- Higher percentage reported that their board policies require directors to sit on at least one committee
- Lower percentage reported that more than 50% of the board has the ability to read and understand financial statements
- Lower percentage report that board terms are not limited
- Lower percentage reported that 0% of revenue was allocated to governance expenditures
- Higher percentage rated their ongoing education and development program, if they had one, as satisfactory
- Higher percentage reported that the organization does **not** have a formal risk management policy
- Higher percentage reported that their organizations operate on a balanced budget and a lower percentage reported that their organizations operate on a deficit budget
- Lower percentage reported that the organization has a written strategic plan
- Higher percentage reported that their board meetings were 90 minutes to two hours in length and a higher percentage reported that their board meetings were two to three hours in length
- Lower percentage reported that they have one or two people who dominate board meetings
- Lower percentage reported that less than 25% of their board meetings include lively debate of strategic issues and a lower percentage reported that more than 50% of their board meetings include lively debate of strategic issues

Education and Research:

- Higher percentage reported that more than 50% of the board has the ability to read and understand financial statements
- Lower percentage reported that they have unlimited chair terms
- Lower percentage rated their ongoing education and development program, if they had one, as poor
- Higher percentage reported that the board conducts a formal evaluation of the CEO based on preset criteria
- Higher percentage reported that the individual responsible for briefing board members on issues central to the organization's mandate does a good or excellent job of briefing the board
- Lower percentage reported that the organization does **not** have a formal risk management policy
- Higher percentage reported that the organization has a formal crisis plan

- Lower percentage reported that their organizations operate on a balanced budget and a higher percentage reported that their organizations operate on a surplus budget
- Higher percentage reported that the organization has a written strategic plan
- Higher percentage reported that they had no turnover of the CEO position in the past five years and a lower percentage reported that the CEO position turned over once in the past five years
- Lower percentage reported that their board meetings were 90 minutes to two hours in length; a higher percentage reported that their board meetings were two to three hours in length; and a higher percentage reported that board meetings were more than three hours in length
- Lower percentage reported that less than 25% of their board meetings include lively debate of strategic issues

Arts and Culture:

- Lower percentage reported that the board has sufficient staff to support the current committee structure
- Lower percentage reported that their board policies provide sufficient guidance to the board to properly govern the organization
- Lower percentage reported that they publicly disclose governance practices and processes
- Lower percentage reported that more than 50% of the board has the ability to read and understand financial statements and a lower percentage also reported that more than 75% of the board has the ability to read and understand financial statements.
- Higher percentage reported that board terms are not limited
- Lower percentage reported that chair terms were limited to three to four years
- Higher percentage reported that the time for a new board member to get up to speed was over one year and a lower percentage also reported that the time was six months
- Higher percentage reported that 0% of revenue was allocated to governance expenditures
- Higher percentage reported that they did not have an ongoing education and development program
- Higher percentage reported that the board does not conduct formal evaluations
- Higher percentage reported that the individual responsible for briefing board members on issues central to the organization's mandate does a good or excellent job of briefing the board
- Higher percentage reported that their organizations operate on a balanced budget and a lower percentage reported that their organizations operate on a surplus budget
- Higher percentage reported that the responsibility for establishing risk policy belonged to the executive committee of the board and a higher percentage reported that the responsibility for establishing risk policy belonged to the audit committee of the board
- Lower percentage reported that the organization has a written strategic plan
- Higher percentage reported that their organization completed a strategic plan in the past year

- Lower percentage reported that they have one or two people who dominate board meetings
- Lower percentage reported that their board has skill set necessary to evaluate a potential merger and a higher percentage reported that they were not sure if their board has the skill necessary to evaluate a merger

Social Services:

- Lower percentage reported that their organization does not have enough control over its revenue stream for board members to effectively exercise their fiduciary responsibilities
- Higher percentage reported that they publicly disclose governance practices and processes
- Higher percentage reported that more than 50% of the board has the ability to read and understand financial statements
- Lower percentage reported that 0% of revenue was allocated to governance expenditures
- Lower percentage rated their ongoing education and development program, if they had one, as poor
- Higher percentage reported that the responsibility for establishing risk policy belonged to the full board
- Higher percentage reported that their organizations operate on a balanced budget and a lower percentage reported that their organizations operate on a surplus budget
- Higher percentage reported that they had no turnover of the CEO position in the past five years

TABLE 5: Highlight of differences in characteristics of sub-sectors compared to the full sample

Characteristics	Full Sample	Sub-sector				
	(%)	Hospitals (%)	Health (%)	Education & Research (%)	Arts & Culture (%)	Social Services (%)
Role						
• Board member	50	73	39			
• CEO	37	18	45			
Budget - > $10 million	21	60	13		14	13
> 40 years in operation	35	65	20	44		26
Full time staff						
• more than 100	24	78				
• 25 to 99	21	14		46		
More than 200 volunteers	29	50		15	21	
Incorporation						
• federal	27	4			34	
• provincial	67	91			60	
• not incorporated	7			13		
Membership structure						
• closed	30			46	16	22
• membership	37	26			49	
• open	33	40		21		42
No endowment	62	48	68	49	40	76

Characteristics	Full Sample	Sub-sector				
	(%)	Hospitals (%)	Health (%)	Education & Research (%)	Arts & Culture (%)	Social Services (%)
Organizational structure						
• parallel corporate and foundation boards	19	73	12			6
• single board	52	10	59			71
• single board that oversees the corporate entity and the foundation	20	5		26	29	15
Number of board members						
• under 10	22	1		14		27
• 10 to 15	50	43				61
• 16 to 25	24	52		38		11
• over 25	4				12	

TABLE 6: Highlights of differences in governance practices between sub-sectors and the full sample

Governance Practice	Full Sample	Sub-sector				
	(%)	Hospitals (%)	Health (%)	Education & Research (%)	Arts & Culture (%)	Social Services (%)
Committee structure does not facilitate board's governance work	20	11	28			
Board has sufficient staff to support the current committee structure	76	89			60	
Organization does not have enough control over its revenue stream for board members to effectively exercise their fiduciary responsibilities	23	41				16
Board policies provide sufficient guidance to the board to properly govern the organization	72				58	
Organization publicly discloses governance practices and processes	66	79	73		58	72
Board policies require directors to sit on at least one committee	42		54			
Percentage of board that has the ability to read and understand financial statements						
• over 50%	57		47	64	43	66
• over 75%	31				20	

Governance Practice	Full Sample	Sub-sector				
	(%)	Hospitals (%)	Health (%)	Education & Research (%)	Arts & Culture (%)	Social Services (%)
Board terms are not limited	22		16		30	
Chair terms						
• 3 to 4 years	17	28			10	
• unlimited board chair terms	32			26		
Time for new board member to get up to speed	24				41	
• over one year	24				41	
• 6 months	44	52			38	
% of revenue allocated to governance - 0	50		44		65	44
Ongoing education and development						
• no program	27				38	
• program rated as poor	31			24		21
• program rated as satisfactory	41		54			
Board does not conduct formal board evaluations	52			43	59	
Board conducts formal evaluation of CEO based on preset criteria	71			82		

Governance Practice	Full Sample	Sub-sector				
	(%)	Hospitals (%)	Health (%)	Education & Research (%)	Arts & Culture (%)	Social Services (%)
Individual responsible for briefing board members on issues central to the organization's mandate is good or excellent	84			91	100	
Organization does not have a formal risk management policy	60	71		49		
Responsibility for establishing risk policy						
• full board	63	52				73
Organization has a formal crisis plan	35	28	25	61		
Budget						
• operates on a balanced budget	51	39	61	40	57	61
• operates on a surplus budget	30			40	21	21
• operates on a deficit budget	19	31	11			
Organization has a written strategic plan	77		70	87	68	
Organization completed a strategic plan in the past year	50				62	
CEO turn over in the past 5 years						
• no turnover	55			66		63
• once	33			27		

Governance Practice	Full Sample	Sub-sector				
	(%)	Hospitals (%)	Health (%)	Education & Research (%)	Arts & Culture (%)	Social Services (%)
Length of board meetings						
• 90 minutes to 2 hours	45		58	38		
• 2 to 3 hours	26	33	13	18		
• more than 3 hours	18			29		
There are one or two people who dominate board meetings	31		20		18	
% of board meetings that include lively debate of strategic issues						
• less than 25%	48	61	42	40		
• 20 – 50%	35	29				
• more than 50%	17	10	24			
Board has skill set necessary to evaluate a potential merger						
• no	29				40	
• yes	53				33	
• not sure	18				27	

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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 committee 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.

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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.
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