

20 Questions  
Directors of  
Not-For-Profit Organizations  
Should Ask about  
**Board Recruitment,  
Development and Assessment**

WRITTEN BY  
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**20 QUESTIONS**

# How to use this publication

Each “20 Questions” publication is designed to be a concise, easy-to-read introduction to an issue of importance to directors. The question format reflects the oversight role of directors, which includes asking a lot of questions. For each question, there is a brief explanatory background and some recommended practices.

The “answers” or comments that accompany each question summarize current thinking on the issue and practices of not-for-profit governance. If your organization has a different approach, you are encouraged to test it by asking if it provides a valid answer to the question.

There may be limitations on the ability of a particular board to follow all the recommended practices described in this document. The board may not be in a position to nominate a full slate of directors; directors may be inexperienced with governance assessment and may initially be unsure of the process; or it may be difficult to attract volunteer directors with the ideal combination of skills, qualities and experience. In addition, the committee structure of not-for-profit boards may vary depending on the size and complexity of the organization. Nevertheless,

progress towards practices suggested will improve the quality of governance within the organization and encourage further measures in the future.

Directors coming from a for-profit business may find that their experience, although often helpful, may not always provide the best answers in the not-for-profit environment. The material in this document should help them decide how to adapt their experience to the not-for-profit realm. The important differences between the corporate and not-for-profit governance environments lie in:

- The volunteer status of not-for-profit directors, which may affect motivation, commitment and board dynamic;
- The absence of regulations requiring board assessment for NPOs; and
- The diversity of ways in which not-for-profit directors can be appointed or elected, and the relative lack of control that an organization may have over their appointment and performance.

Readers who want more details on specific topics may refer to the section on “Where to Find More Information.”

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## Preface

The Risk Oversight and Governance Board of the Canadian Institute of Chartered Accountants commissioned this briefing to assist not-for-profit boards in recruiting and developing directors and assessing their individual and collective effectiveness. It covers the principles of board selection and assessment that are described in CICA's *20 Questions Directors Should Ask about Building a Board* and *20 Questions Directors Should Ask about Governance Assessments*, but from the perspective of a not-for-profit organization.

Not-for-profit organizations (NPOs) are diverse and their expectations of directors can vary widely. In most cases, directors are volunteers who serve without compensation. They deserve respect and appreciation and should be encouraged to contribute effectively and with confidence.

This document explores the challenges faced by NPOs in recruiting the right people to serve on their boards, as well as the importance of director education and development and regular assessment of the board and its members.

We hope that individual directors, boards, governance committees and CEOs will find it useful in developing effective, knowledgeable boards.

The Risk Oversight and Governance Board acknowledges and thanks the members of the Not-for-Profit Organizations Task Force for their invaluable advice, Richard Leblanc, PhD, and Hugh Lindsay, FCA, who wrote this briefing under their guidance, Lyn McDonell for her detailed critique of drafts of this briefing, and the CICA staff who provided support to the project.

**Brian Ferguson, FCA**  
Chair, Risk Management and Governance Board

# Table of Contents

## Preface

## Introduction

### Selection of Directors

1. What are the requirements for electing or appointing directors?
2. What should the size and composition of the board be?
3. Do the board and its committees have mandates or charters?
4. Has the board established position descriptions for board roles?
5. What skills and experience does the board need in its directors?
6. What personal qualities and behavioural skills does the board need in its directors?
7. What skills, experience and personal qualities should board and committee chairs have?
8. How are potential directors identified?
9. How should prospective directors be approached?
10. What references and background checks are appropriate?

### Director Orientation and Development

11. How does the organization develop directors as effective board members?

## Governance Assessment

12. What are the principal types of governance assessment?
13. How should board members be involved in governance assessments?
14. What techniques and support may be used when conducting an assessment?
15. What should be evaluated when the effectiveness of the board and its committees is assessed?
16. What should be evaluated when the effectiveness and contribution of individual directors and chairs is assessed?
17. How should assessment results be disclosed to members and other stakeholders?
18. How should a board act on the results of board and committee assessments?
19. How should under-performing directors or chairs be dealt with?
20. How often should governance assessments occur?

### Appendix 1 — Director Competency Matrix

### Appendix 2 — Board Effectiveness Survey

### Appendix 3 — Board Member Assessment

### Appendix 4 — Performance of Individual Board Members

# Introduction

Not-for-profit organizations must be trusted by their stakeholders and communities – both in the delivery of services and in their stewardship of the organization’s assets, including the funding they receive from members, donors, governments and other sources. To earn and maintain this trust, organizations must be well governed by an effective board of directors.<sup>1</sup>

The board of directors is at the top of an organization’s structure. Directors of NPOs have a fiduciary role as stewards of the organization’s assets to approve funding, strategies, programs, activities, expenditures and other major decisions. The board is responsible for establishing the strategic and ethical directions of the organization. It recruits, compensates and evaluates the Chief Executive Officer (CEO)<sup>2</sup> and ensures a succession plan for senior management. The board is also responsible for the oversight of strategy, risk management, internal controls, reporting and communications.

In order to meet these responsibilities, boards need to have an effective system of recruitment, development and assessment. Directors<sup>3</sup> must collectively have the knowledge, skills and experience necessary to oversee and advise the management of the organization. They must be led effectively and work well together, but there should be a creative and healthy tension that comes from the constructive interaction of people with different backgrounds.

Boards that demonstrate dedication to their own improvement will enhance the reputation and credibility of their organizations by setting the right tone at the top and sending a message to the organization and its stakeholders that the board takes its responsibilities seriously and holds itself accountable for achieving them.

Not-for-profit governance processes are continuous and take leadership, time, commitment, creativity and experience. They involve a number of factors, beginning with:

- understanding and defining in writing the mandates of the board and its committees and the position descriptions for directors and chairs;

<sup>1</sup> In this document, the terms “Board of Directors” and “Board” are used for the body responsible for the governance of an organization. Other terms include “Council,” “Commission,” *etc.*

<sup>2</sup> In this document, the term CEO (Chief Executive Officer) is used for the senior member of paid staff who is responsible for the operations of the organization and reports to Board. Other terms include “Executive Director,” “General Manager,” “President,” “Dean,” *etc.*

<sup>3</sup> In this document, the term “Director” is used for a member of a board. Other terms include: “Trustee,” “Councilor,” “Commissioner,” “Governor,” *etc.*

- identifying the skills, experiences and qualities that are desired in board members;
- conducting a thorough, methodical and creative search process for directors; and
- providing orientation, training and peer guidance to directors.

Maintaining and enhancing the effectiveness of the board requires effective chairing of meetings and benefits from regular governance assessments that include:

- involving board members, staff and other stakeholders as appropriate;
- comparing performance against mandates, position descriptions and other performance criteria;
- assessing board performance in key areas of responsibility, including mission, programs, resources, asset and funding oversight and stewardship;
- using surveys, interviews and other techniques that provide clear, actionable information;
- providing follow up feedback and reporting;
- requiring action by the board, committees, chairs and individual directors to improve their performance;
- incorporating results of assessments into the director nomination process in a transparent and fair manner; and
- disclosing to members and other stakeholders that a robust and viable process exists for director selection and governance assessment.

Because NPOs are diverse, there is no one “right” way to select and develop directors and to assess governance. There are, however, a number of well-established principles and practices that may be adapted to the needs of NPOs.

This document explores the challenge of building an effective NPO board from three perspectives:

- the selection of directors;
- the orientation and development of directors, and
- the assessment of the performance of the board, board committees, board roles and individual directors.

## Selection of Directors

Finding the right people to serve as directors is usually the job of the board as a whole or its governance committee,<sup>4</sup> which proposes candidates for election. However, this is not always the case. Some organizations use processes such as a call for nominations to identify candidates. A government, political or other organization may also appoint directors.

However director selection is done, the objectives of the process should be as follows:

- To identify the required knowledge, skills and experiences;
- To select qualified individuals who are free from conflicts of interest and committed to serving and overseeing the organization effectively;
- To achieve diversity of board members appropriately reflective of the community and constituencies served by the organization; and
- To achieve continuity through a smooth succession of board members (including board and committee leaders) that balances new ideas and energy with experience and “institutional memory”.

## Preparing for the Selection Process

Before beginning a search for potential directors, the governance committee should have a clear understanding of its task. This section describes the points the committee should consider in preparing for the search process:

- The requirements for electing or appointing directors
- The composition of the board, including the knowledge, skills and experience of incumbent directors
- The mandates of the board and its committees
- The position descriptions for board roles
- The specific skills, experiences and personal qualities required by the board and its committees in members and chairs.

<sup>4</sup> In this document, the term “governance committee” is used for any committee or individual(s) responsible for the selection or nomination of candidates for election or appointment to a board of directors. It includes “nominating committee”.

### 1. What are the requirements for electing or appointing directors?

One of the first steps in designing a director selection process is to understand how the organization is set up<sup>5</sup>. NPOs can be established in a variety of ways, including:

- incorporation under its own specific statute, e.g., Institute of Chartered Accountants of British Columbia, Canadian Red Cross Society;
- incorporation under a statute that covers a type of organization such as corporations, societies, cooperatives, schools, hospitals, etc.;
- establishment as a charitable or non-charitable trust; and
- establishment as a government agency.

The applicable legislation and the organization’s constating documents (incorporating document, constitution, by-laws, etc.) set out the requirements regarding the powers, composition and selection of the board of directors. Apart from *ex-officio* appointments (directors who serve on a board by virtue of holding a position), there are two primary methods for selecting directors: appointment and election. These may be used individually or in combination.

**Appointments** are generally made by or through funding agencies, which may be governmental or private. Governments may appoint members to boards of self-regulating organizations whose activities affect the public interest, such as lawyers, accountants and school teachers.

**Elections** may be made by the members of an organization, by members of the public (e.g., school boards), or by members of a designated constituency (e.g., residents of a condominium, employees of an organization, etc.). Candidates for election may be identified through a call for nominations, by a governance/nominating committee that presents a slate for approval by the membership, or a combination of both.

In some organizations, the only members are the directors, who may be appointed by an outside body or elected by the board.

<sup>5</sup> There is a good description of organizational forms and their significance for board selection in Appendix B of *Governing for Results* by Mel Gill.



## 2. What should the size and composition of the board be?

The organization's constituting documents generally prescribe the size of the board, the tenure of directors and other requirements, such as geographical representation, appointed directors and *ex-officio* positions, if applicable.

The size of the board contributes to its effectiveness. Boards have generally decreased in size in recent years, although some NPO boards remain large (fifteen to twenty-five members and above). As the number of directors increases over about ten to fifteen members, it may become harder to involve everyone in debates that lead to sound decisions.

An NPO board should have enough members to reflect the size, complexity and scope of the organization; meet the needs of committee work; and provide a healthy diversity of views and experience. The board should be small enough to encourage engaged, informed discussion and facilitate collective decision-making, but not so small that it becomes difficult to achieve a quorum and fulfill board obligations. Because of the decline in board size, director selection, development and succession practices are increasingly important.

When considering board composition, governance committees should consider the relationships that may exist between directors and the organization. Potential directors who are passionate about the organization's mission and activities may already be involved as fundraisers, major donors, volunteers, clients, *etc.* Such relationships may not preclude directors from serving (depending on applicable regulations), or prevent them serving effectively. However, they create the potential for undue influence by a particular stakeholder group, which could compromise the board's ability to exercise independent judgment. Even when no undue influence in fact exists, the perception of partiality can damage the organization's reputation in the eyes of stakeholders.

Relationships between directors and the organization may also lead to conflicts of interest that could prevent directors from fulfilling their duties to the organization. It is crucial that board members clearly understand their governance roles and comply with the organization's conflict of interest guidelines.

Governance committees should ensure that a sufficient number of directors are unrelated to the organization and therefore bring a non-

representational perspective to the board.

Often called "members at large," these directors enhance the real and perceived impartiality of the board and may bring special "outside" skills and perspectives to the table.

NPOs may be required by legislation or constituting documents to designate some board members as officers — members with defined responsibilities such as chair/president, vice-chair, treasurer and secretary. The officers may be appointed or elected as part of the director selection process, or be elected by the directors from among themselves.

### Directors as Officers

On working or "hands-on" boards, directors who serve as officers may have some operational duties. These activities should be overseen by the rest of the board.

For example, in some organizations, a board member serving as treasurer may have more accounting knowledge and skill than the person handling the day-to-day finances. The treasurer may be relied upon to coach staff and provide advice on issues such as treatment of expenses or preparation of analyses.

In order to recruit effectively, clear descriptions of directors' roles, expectations and accountabilities are key. (See Question 4)

## 3. Do the board and its committees have mandates or charters?

The responsibilities and specific duties of boards and committees should be set out in written mandates or charters. These documents are important to the recruitment and evaluation processes because they define the scope of the tasks expected of directors. Board and committee mandates or charters should be complete, detailed, clear, up-to-date, duly approved, benchmarked against best practices and disclosed on a NPO's website where one exists.

## Board Mandate

**The board mandate** describes the board's responsibility for the various aspects of its stewardship.

### The board mandate should address the board's responsibility to oversee:

- the vision, mission, strategy and operational plans for achieving the organization's goals and objectives;
- the establishment (and disestablishment) of standing and ad hoc committees;
- the assets, resource allocation, program delivery and other activities of the organization;
- the identification of principal risks to the organization and the implementation of appropriate systems to manage those risks;
- the organization's financial performance, budgets, investment, management information and record keeping systems;
- government filings and remittances;
- compliance with rules regarding tax receipting and the annual minimum charitable disbursement quota, if applicable;
- the appointment, training, monitoring, compensation and succession of the CEO;
- the division of responsibilities and allocation of authority between the board and staff;
- the values, ethics, reputation and integrity of the organization and its directors, staff and volunteers;

- donor stewardship, including fundraising oversight, donor privacy and intent compliance;
- key policies and procedures such as the code of conduct and policies relating to conflict of interest, whistle-blowing, expense and gift acceptance, *etc.*;
- communication and accountability to members and stakeholders such as donors, government, partner organizations, beneficiaries and communities, *etc.*; and
- the organization's overall approach to governance and the expectations and succession of its directors.

The division of responsibilities between the board and staff will depend on the size and complexity of the NPO as it evolves and will be influenced by the competencies and other attributes of the directors, CEO and other staff. For example, in NPOs with experienced, professional staff, the board will be primarily involved in the oversight of the organization's operations and activities. In smaller organizations or those without experienced staff, directors may be more directly and actively involved because their skills and experiences are needed to complement or supplement those of staff and volunteers.

The board mandate should clearly define how responsibility is allocated between the board and CEO and the extent to which the board is involved with operational activities in addition to its primary role of oversight. If this is not understood and recognized, it can lead to gaps in, overlapping or conflicting responsibilities.



## Committee Charters

A board may act as a committee of the whole on all issues for which it is responsible or delegate responsibility for specific issues to a committee or an individual director (as a committee of one). Board committees should have a committee charter or mandate.

**Committee charters** describe the responsibilities that boards delegate to committees, such as:

- Oversight over the organization's assets, financial structure, investments, risk management, internal controls, preparation of financial statements and (where appropriate) the audit of the financial statements (finance, investment or audit committee);
- The selection, compensation and succession of the CEO and other senior staff (compensation or human resources committee);
- Board process and performance, including the selection and assessment of directors, recommendation of new or revised board policies and review of by-laws (governance or nominating committee);
- Oversight of strategic planning and performance (planning or finance committee); and
- Other areas that require attention and oversight by the board, such as membership, fundraising, resources, quality and safety, information technology, community relations or professional discipline.

While the board may delegate responsibilities to committees, these committees review, recommend and report back to the board for approval, *i.e.*, the board retains ultimate oversight responsibility for the organization.

Committee roles and responsibilities depend on the needs of the organization and the board's approach to governance and should be reflected in clear terms of reference that are approved by the board. Committee charters should establish the purpose of the committee, its composition, powers, responsibilities, reporting obligations and limitations.

Some NPOs expect directors to serve on committees that are responsible for operational activities. In such cases, the board should recognize that directors may not be in a position to exercise independent oversight over the activities for which the committee is responsible, as they would be required to assess their own work.

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FOR MORE INFORMATION, PLEASE SEE THE CICA PUBLICATION *20 QUESTIONS DIRECTORS OF NOT-FOR-PROFIT ORGANIZATIONS SHOULD ASK ABOUT GOVERNANCE*

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## 4. Has the board established position descriptions for board roles?

Every organization should ensure that its board members fully understand what is expected of them in their board roles (e.g., board chair, committee chairs and individual directors). It is not enough to select people for a board and simply expect them to do the right thing. Even if directors have had previous board experience, they will need to become familiar with the organization they are joining in order to maximize their contribution. New directors need an orientation to the sector, knowledge of how things are done in the particular organization, and an understanding of the extent to which they will be expected to participate in operating activities in addition to their governance role.

Written position descriptions for directors, committee chairs and the board chair are valuable documents that inform the selection process, provide guidance for orientation and development, and serve as a basis for assessing performance.

Position descriptions set out expectations of directors. In NPOs that expect directors to engage in operational roles, such as fundraising, organizing events, *etc.*, it is especially important that these expectations be included in the relevant position descriptions and made explicit to prospective directors.

**Director position descriptions** describe how directors are expected to perform in terms of:

- attendance and participation at meetings;
- preparation for meetings;
- communication outside of meetings;
- committee service;
- contribution of skills and experience;
- ethical standards and fiduciary duty (including compliance with the organization's code of conduct and conflict of interest policy);
- participation in orientation, educational and strategic planning sessions;
- availability for unscheduled meetings and phone calls;
- chairing of meetings (for board and committee chairs); and
- governance leadership and accountability expectations (for board and committee chairs).

## 5. What skills and experience does the board need in its directors?

An effective board relies on the skills and experience of its members to make informed decisions on strategy, oversight and recommendations from staff. It may also provide guidance when staff lacks expertise or experience in specific areas.

The board's need for specific skills and experience is influenced by the dynamic nature of organizations. They begin, grow, mature and, sometimes, decline and fail. The composition of the board must be compatible with the current status of the organization and its future directions.

### Current Status of the Organization

Start up  
Growth  
Consolidation  
Expansion  
Contraction  
Turnaround  
Liquidation

*20 Questions Directors Should Ask about Building a Board*

A key step in selecting directors is to identify with sufficient precision the skills, knowledge and experience needed and to identify “gaps” that should be filled in the recruitment process. A best practice used in both the for-profit and not-for-profit sectors is to create a competency matrix in which incumbent and prospective directors are matched against each of the skills needed (see Appendix 1). The matrix should be reviewed and updated regularly by the governance committee to ensure it is aligned with the evolving strategic needs of the organization.

In addition to the industry or sector in which the NPO operates (e.g., health care, sports, education, social services, etc.), NPO boards also benefit from members with expertise in such areas as government relations, fundraising, law, accountancy, human resources, and project and risk management.

### Diligence in Director Recruitment

“Who we have serving as directors is the single biggest determinant of the quality of governance in our organizations.

Would we hire a new employee without considering how they contribute to and fill gaps in the skills, knowledge and competencies of those people already employed? When we bring equal diligence and care to board recruitment, then the board becomes a place where people want to serve.”

*Director of large, urban community not-for-profit organization.*

Because of the variety of issues that NPOs address, it is impossible for any one director, or even a small number of directors, to be familiar with all of the issues that might come before the board. By building a board on the basis of the competencies and knowledge each individual brings to the table, the board as a whole possesses the broad expertise needed to oversee and direct the organization. A competency matrix helps to focus the search effort and improve the balance of the board.

In practice, many NPOs have difficulty in identifying and attracting experienced individuals and recruiting the ideal board as the matrix suggests. Some directors may lack the knowledge of the sector or other competencies or attributes prescribed by the matrix. For example, donors who are asked to serve, or volunteers who “graduate” to the board, may be passionate and knowledgeable about the organization, but need mentoring and development as board

members to fulfill their governance and fiduciary responsibilities. Directors who come to the board with a particular stakeholder orientation may have a limited knowledge of governance or of the organization itself. It is therefore important to recognize gaps in the board's knowledge and skills and to remedy them by developing directors or by consulting outside experts when necessary. Director orientation and education are addressed in Question 11.

Another key consideration in the selection and development of directors may be the need to have directors who can chair and serve on committees or fulfill certain areas of responsibilities if committees are not established. Governance committees may consider having prospective directors serve initially as non-director committee members, or employ a planned rotation of directors among committees to increase their knowledge of the organization and maintain a strong commitment. Rotation is not appropriate in all cases, and care should be taken to align the interests and abilities of individual directors with committee mandates, while ensuring that there are new members entering the committees with fresh perspectives.

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#### Value of the Competency Matrix

“A competency matrix should be the result of a thoughtful conversation as to what kinds of people are needed next on the board to help the organization advance. If this conversation underlies the tool, then the matrix will help in two ways. It will point the nominating committee to communities where it needs to recruit and it will guide the message to prospective directors regarding how they can contribute to the board and organization.”

*Director of a not-for-profit organization task force.*

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The governance committee may seek the CEO's advice on the combination of skills and experience required on the board or committees and thus the attributes of individual nominees, but the CEO should not unduly influence director selection.

#### 6. What personal qualities and behavioural skills does the board need in its directors?

The qualities of good directors include the following:

- **Commitment and interest** — they are available, invest time and resources to understand and advance the organization and are passionate about the organization's success. They take responsibility for their own education as directors and participate in educational sessions offered.
- **Objectivity and independent-mindedness** — they form their own judgments and opinions, and are not biased towards any particular interest or stakeholder.
- **Integrity** — they have personal integrity, are trustworthy, and insist that the organization behave ethically.
- **Courage** — they have the courage to ask tough questions and to voice their opinions. Their loyalty to the organization's interests may demand that they express dissent and persist in requiring answers to their questions.
- **Informed judgment** — they focus on the important issues and base their decisions and actions on sound principles and common sense.
- **Perspective** — they have broad knowledge and experience that they apply to discussions and decisions.
- **Analytical** — they have well-developed conceptual thinking and problem-solving skills, are quick studies, and can avoid “groupthink” and other decision biases.

The dynamic of a board is as important as the skills, experience and knowledge of its members. The directors should have the behavioural skills required to work effectively together. These skills include the following:

- **Ability to present opinions** — they are able to present their views clearly, frankly, constructively and persuasively.
- **Willingness and ability to listen** — they listen attentively and respectfully and make sure they understand what they have heard.
- **Ability to ask questions** — they know how to ask questions in a way that contributes positively to debate.
- **Flexibility** — they are open to new ideas, are strategically agile and responsive to change.

- **Conflict resolution** — they are oriented to resolve conflict, are resilient after it occurs, and support board decisions once made.
- **Dependability** — they do their homework and attend and participate in meetings.

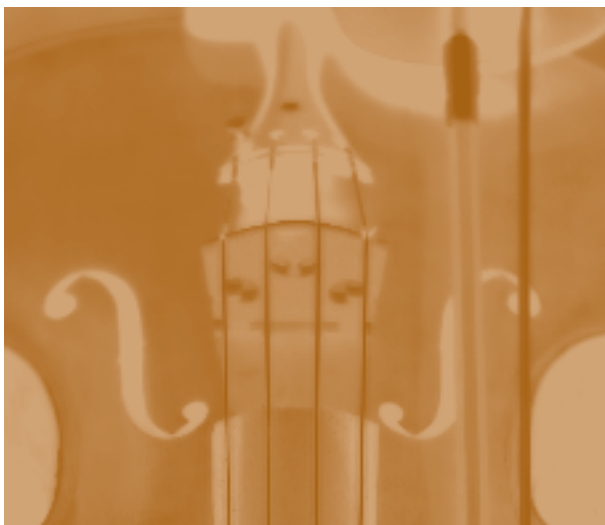
## 7. What skills, experience and personal qualities should board and committee chairs have?

A strong and competent chair may be the single most important factor in board or committee effectiveness. The board chair should have the time and ability to lead the board and act as a liaison to the CEO and other stakeholders. The qualities of effective board chairs are summarized in the table.

The governance committee may have the formal responsibility for developing a process for selecting the chair. The committee may consult the CEO, but should not allow the CEO to unduly influence this decision.

A technique commonly used by NPOs is to develop future chairs by having them progress up the “ladder” of officer or other positions (typically secretary, treasurer, chairs of important committees and vice-chair). This practice gives prospective chairs the opportunity to become familiar with the organization and hone their skills before assuming responsibility for leading the board.

There should be position descriptions for chairs of the board and each committee. Alternatively, their responsibilities may be included in board and committee mandates.



**The qualities of an effective board chair** include those necessary for board members, as well as:

- a strong affinity and commitment to the organization;
- demonstrated strengths in communication and leadership;
- strong facilitation and consensus-building skills;
- empathy for fellow directors;
- coaching and feedback-providing skills;
- a forward-looking perspective and clear strategic vision;
- the intellectual capacity to understand complex issues;
- an appreciation of stakeholder accountabilities and the importance of performance standards;
- the ability to assess priorities and focus on what is important;
- the willingness and ability to prepare agendas with clear objectives and to chair productive board meetings;
- political skills and the ability to use power effectively;
- the strength of character to deal effectively with a competent but strong-willed CEO;
- the ability to recognize and manage the creative tension between the board and the CEO;
- the ability and knowledge to challenge views and opinions;
- the ability to manage strong-minded or intimidating members; and
- the willingness and ability to take charge in times of crisis.

Similar considerations apply to chairs of committees.

## Conducting the Search Process

Once the organization has identified what attributes are needed in a prospective director, it can begin the selection process. This includes:

- establishing the new director profile resulting from the competency matrix gap analysis;
- searching for prospective candidates;
- identifying and short-listing potential directors;
- engaging in a due diligence process (including matching the candidate's competencies against the competency matrix and new director profile);
- approaching and interviewing candidate directors; and
- confirming a candidate director's suitability before he or she is nominated for election or appointed.

These steps represent a competency-based process that can be used by any group responsible for director selection. This may be the organization's board or governance committee, a government, the board of a division of a multi-level organization, or the organization's members.

Government appointees and other representative directors may be asked to serve on boards to speak to the interests of the appointing or electing body. However, it is clear in law that their fiduciary duty is to act with a view to the best interests of the organization on whose board they serve. Individual boards should communicate their qualification and competency-based expectations to appointing and electing bodies.

## 8. How are potential directors identified?

Identifying qualified individuals who are willing to volunteer their time to serve on an organization's board takes time, careful thought, planning, creativity, and can involve one or more of the following approaches.

### Members and volunteers

Organizations with an active membership, volunteer programs and committee structures are well positioned to identify and encourage individuals who demonstrate the skills, qualities and commitment to be an effective director.

### Contacts

Organizations will generally have contact (through board members, senior staff and communities served) with individuals who have knowledge and skills relevant to the organization's needs. The contacts may be in the field in which the organization operates (health, education, etc.), or in occupations or professions that have skills and knowledge desired (finance, law, fundraising, marketing, human resources, risk management, etc.).

### Referral Agencies

There are a number of organizations that can provide names of individuals willing to serve as volunteer directors. These may include volunteer agencies (Volunteer Vancouver, Volunteer Action Centre — Kitchener/Waterloo, etc.), specialized director matching services (e.g., Altruvest Charitable Services) and professional associations (e.g., accountants, lawyers). The use of professional recruiters is not yet common in the not-for-profit sector but may be appropriate in some cases.

### Advertising

Some organizations, particularly agencies, boards and commissions associated with government, invite interested members of the public to submit their names as candidates for board positions. This may be done by placing advertisements in news media or by including application information on the organization's web site.

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### Diversity

Not-for-profit organizations in a wide variety of sectors are noted for their strength of diversity, leadership and governance development in board membership and practices, and for reflecting the cultural and geographical makeup of their communities.

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In selecting an approach or source, it is important to recognize the risk of drawing from a limited pool of candidates, such as the contacts of the board and senior staff. The resulting board may hesitate to question and challenge the CEO and other board members. This approach also potentially limits the range of talent, diversity and experience that is available to the board.

Through the director recruitment process, organizations should search diligently for individuals with the required skill sets who collectively reflect the diversity of the community served by the organization.

Regardless of the combination of approaches or sources used, the director selection, short-listing and identification process should be transparent, competency-based, inclusive and consistently applied.

## 9. How should prospective directors be approached?

Typically, the first approach is by phone followed by an informal meeting. This should progress to meetings and interviews with directors, the governance committee or the whole board. Many organizations also encourage potential directors to attend a board meeting as an observer.

Before approaching potential directors, it is important to be prepared. This includes learning about the individuals, assessing why they might be interested and appropriate, and being prepared to answer their questions. Candidates who wish to be considered for board membership may also be requested to submit a candidate profile and declaration, including any potential conflicts of interest.



### Information for Prospective Directors

A commonly used approach is to give prospective directors a confidential briefing on the organization and its expectations of directors.

Information on the organization may include:

- vision, mission, values and code of conduct;
- board and committee mandates;
- programs and activities;
- financial statements, strategy, plans and major areas of risk and opportunity;
- stakeholders and accountabilities;
- board members and senior staff; and

Information on being a director may include:

- director role descriptions;
- the term of service, term limits (if applicable) and the expected number of terms to serve;
- time commitments;
- dates, locations and duration of scheduled meetings;
- committee service requirements — including serving as chair;
- how individual directors might personally contribute to the board through their experience and skills;
- any expectations regarding personal donations to the organization and participation in fund-raising activities;
- orientation and continuing education opportunities;
- reimbursement of permitted expenses and, if applicable, *per diems*;
- summary of directors and officers liability insurance; and
- requirements for background checks.



### Time Commitments

- In-person attendance at meetings;
- Preparation for meetings;
- Travel;
- Committee service;
- Participation in orientation, educational and strategic planning sessions;
- Working with staff;
- Availability for unscheduled meetings and phone calls;
- Attendance at events;
- Serving as an ambassador for the organization;
- Special requests or initiatives on behalf of the organization.

## 10. What references and background checks are appropriate?

Directors of NPOs have a fiduciary role as stewards of the organization's assets and resources. This includes oversight of the use of donor funds and the delivery of programs and activities. Many NPOs work with vulnerable members of the community. Boards should ensure that all necessary steps are taken to satisfy themselves that a prospective director possesses the qualifications that have been represented, is honest, and has no undisclosed conflicts of interest.

### Why Caution is Necessary

Joining an organization and winning the trust of its members and board is a technique used by individuals who swindle organizations out of funds or otherwise abuse their position and damage the reputation of the organization.

In many cases, the individuals will be known to people in the organization or to trusted stakeholders or contacts who can provide additional references. Where possible, references should be contacted early in the process to validate statements in a candidate's profile and declaration and to determine the candidate's suitability in terms of behavioural style, track record of attendance and contribution, and cultural fit with the board. By confidentially and tactfully canvassing individuals who serve with or know the candidate, any "red flags" can be assessed with relative ease. This initial due diligence is a way to

refine the short list of suitable candidates and avoid surprises, embarrassment or regret in the more formal referencing process or after the candidate is asked to serve.

Depending on their nature, these reference checks may be undertaken by the chair, another member of the governance committee or board, a trusted senior staff member, or other individual who is experienced in reference checking. Reference checking should be as objective as possible and personal biases should be minimized. Significant information can be acquired by a candid and tactful reference check.

### Have a Standard Procedure

Police checks are recommended in all cases when an organization serves a vulnerable population. Having a standard procedure in place for all volunteers can make the requirement easier to explain to potential directors.

If prospective directors are deemed suitable, the organization should obtain their permission to conduct supplemental background checking and verification. This may include contacting credit agencies, obtaining police checks and confirming with universities and professional associations the credentials and status of professionals such as lawyers, accountants, investment advisors, engineers, *etc.*

Reference checking can be a lengthy and sensitive process, but one that can protect an organization and its beneficiaries against serious consequences.



# Director Orientation and Development

Once the board has recruited directors, it must help them become and continue to be effective board members.

## 11. How does the organization develop directors as effective board members?

Directors, like employees and volunteers, benefit from an orientation process that introduces them to the organization and their role in it, and continuing development that includes structured learning, experience, and mentoring. The extent and nature of the processes should be tailored to the needs of the board, committees and individual board members. The CEO and staff can be valuable in providing information on the organization and the environment in which it operates. They should not, however, be the primary source of information on governance or the board. This should come from the chair of the board, another experienced director or an external subject matter expert if required.

### Orientation

Directors need to understand the organization and their responsibilities before they can be fully effective. Orientation is an opportunity to give new directors an introduction to the organization and to begin developing them as informed, effective board members.

Director orientation typically includes and expands on the information given to prospective directors, such as:

- an overview of the organization, its activities, programs and stakeholders, along with introductions to select staff and visits to locations;
- the board and committee charters (see Question 3);
- director role position descriptions (See Question 4);
- the organization's approach to governance; and
- the fiduciary responsibilities of NPO directors.

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FOR MORE INFORMATION, SEE THE CICA PUBLICATION *20 QUESTIONS DIRECTORS OF NOT-FOR-PROFIT ORGANIZATIONS SHOULD ASK ABOUT FIDUCIARY DUTY*

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### Structured learning

Directors need to understand the changing issues facing the organization and the processes of governance, particularly strategic planning, risk management, financial management, accounting standards, compensation practices, stakeholder accountability, regulatory developments or other topics of interest.

Structured learning can take place at scheduled board and committee meetings in the form of explanations and briefings by staff, commentary by chairs, presentations by outsiders, online learning portals, etc. It can also include visits to facilities operated by the organization, and attendance at external conferences and seminars.

### Experience

On-the-job experience is the way in which most directors learn to be effective board members. The biggest single factor is usually the ability of the chairs to lead the board and committees, conduct effective meetings and create an appropriate culture of challenge and support.

### Mentoring

Less experienced directors can benefit from mentoring by chairs and more experienced board members between meetings.



## Governance Assessment

Once board members are selected and developed, governance assessment of the board, its committees and individual directors helps to ensure that continuous improvement becomes engrained and governance shortcomings are acted upon.

In practice, board, committee and individual director performance are often already addressed in one or more ways:

1. Board effectiveness may be the topic of a presentation by a governance advisor at a board retreat leading to discussion regarding the board's performance relative to the best practices presented.
2. Boards and committees may assess and improve specific practices and procedures when problems arise or a better approach is suggested.
3. The governance committee reviews the performance of individual directors when considering them for re-nomination.
4. Board and committee chairs observe the performance and contribution of individual directors and may:
  - provide informal feedback and mentoring to encourage those who contribute well and want to do better;
  - discuss attendance, participation and other issues with those who are under-contributing; and
  - provide input to the nomination process.

These approaches can work well, particularly when the board is willing to examine its own performance, directors are candid and receptive, and chairs provide effective feedback. There is a risk, however, and it is human nature, that directors will avoid candid criticism of peers in order to preserve working relations, but will nonetheless provide input to the nominating process. In such cases, other directors may feel that the nomination process is secretive or unfairly punitive. This is unfair to directors who may not have received feedback nor had an opportunity to make necessary adjustments to their behaviour.

For these and other reasons, an increasing number of organizations have established more formal, accountable and transparent assessment processes which set out clear responsibilities and criteria, opportunities for participation, feedback, reporting and follow-up action.

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### Reason for Governance Assessments

“The primary reason to undertake any governance assessment is to improve and develop, not to judge or evaluate.”

*CEO of a national directors association*

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The desire to do better — and to continue doing well — is and should be the most common motivation for assessing the effectiveness of the board, its committees and individual directors. This evaluation, which is recommended for many companies listed on stock exchanges, is now widely accepted in all sectors (e.g., for-profit, not-for-profit and Crown organizations) as necessary to provide effective feedback and contribute to sustained governance performance.

### Reasons Why NPOs Assess Governance

In the not-for-profit sector, one or more of the following reasons may prompt governance assessments:

- inclusion of board assessment in the mandate of the board or governance committee;
- the strategic planning and risk management processes may identify opportunities or needs for assessing and improving governance;
- a director, new board chair, or senior staff member may recommend (and wish to participate in) a board evaluation;
- a member of the organization, funding agency, donor, creditor, insurer or other stakeholder may request disclosure of board evaluation practices and outputs, or the board may wish to enhance its credibility (or decrease its costs) with one of these groups;
- a national or regional not-for-profit board or association may recommend evaluations for chapter or member organizations;
- directors may request feedback in order to develop and improve their effectiveness and impact; and
- the media, expert scrutiny or litigation against the organization and its officers and directors may have disclosed governance shortcomings.

## Preparing for Assessments

At the outset, while the members of a not-for-profit board may agree that a governance assessment might be useful, they are likely to have concerns and reservations. Before agreeing on the process, directors need an opportunity to ask questions, express views, and receive assurance on such issues as:

- What and who will be assessed, and by whom?
- How will the data be managed?
- How will the anonymity of confidential comments be assured?
- How will reporting and feedback occur?
- What would happen to a director if peers think that individual is under-contributing?
- How will the assessment results and recommendations be implemented?
- How will the external disclosure about the assessment be made to members or other stakeholders?

In order to reduce anxiety, organizations may undertake the full board assessment before assessing the effectiveness of committees and individual directors. This allows directors to get comfortable assessing their collective effectiveness before turning their attention to individual members.

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### Governance Assessment Clarity

“Who gets the results? ... There needs to be clarity here... There needs to be clarity on how the data is used, who gets it, at what level, especially the qualitative data.... Otherwise, there is no trust.”

*Director of a national charitable organization*

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Once the directors have agreed to conduct a governance assessment, they should, as a board:

- designate responsibility for the assessment (usually to the governance committee);
- approve the scope and nature of the assessment process; and
- dedicate resources as appropriate to conduct the assessment.

This section addresses some key considerations before undertaking an assessment process.

#### **Preparing for the Assessment**

The approach must be consultative and collegial at all times. One or more directors (including the chair) should not be able to prevent the assessment from occurring or have undue influence once it is underway. There should be collective, buy-in, unity of purpose and support for the majority view, before, during and after the assessment.

### **12. What are the principal types of governance assessment?**

There are four main types of governance assessments, which may occur separately or in combination: board, committee, chair and individual director.

#### **Board assessments**

This is the type most frequently practiced and involves the board assessing its own effectiveness against its role and specific mandate. As well, there may be assessment of the culture and operations of the board such as the frequency and duration of its meetings, effectiveness of agendas, orientation processes, adequacy of time for dialogue, and so on.

#### **Committee assessments**

These assessments are similar to board assessments but occur at the committee level.

Directors should not only evaluate committees of which they are members, but also contribute to the evaluation of committees on which they do not sit, based on observations of the output and reporting of those committees.

#### **Assessments of the chairs of the board and committees**

These assessments consider the effectiveness of the chair of the board and the chair of each committee against their board-approved position descriptions and other performance indicators.

#### **Assessments of individual directors**

There are various types of director assessment. An individual director may complete a self-assessment of his or her performance against the applicable position description and skills and contributions each director is expected to bring. A more comprehensive assessment occurs when others assess the individual, which is the type of assessment that we focus upon in this document.

#### **Avoiding “Check the Box” Governance Assessments**

Skepticism arises from generic, superficial questions that directors do not believe address key issues.

The results and usefulness of an assessment flow from questions being asked and, in turn, the manner in which reporting, constructive feedback and follow-up action occurs.

### **13. How should board members be involved in governance assessments?**

There are three primary groups involved in a governance assessment: the board, the governance committee and the individual directors (who may also be chairs and committee members).

#### **The board**

The members of the board have collective, overall responsibility for governance assessments, including:

- approving the process;
- delegating responsibility to the governance committee;
- receiving reports on assessments;
- approving proposals for enhancing performance;
- monitoring progress on action taken; and
- reporting to members and other stakeholders.

### Individual directors

Board members participate in the assessments as individuals by providing information and opinions on the effectiveness of the board, its committees and chairs, as well as their own performance and that of their fellow directors. After the assessment, they respond to feedback on their performance and identify and act on opportunities for improvement.

As noted earlier, there may be opportunities for directors to reflect on their performance through a self-assessment questionnaire. For these to be most effective, there should be some sort of follow-up, either a discussion with the chair or a general board discussion regarding what was learned.

#### Who Should Lead the Board Evaluation

The board evaluation should be designed to identify key difficulties. If the board is ineffective, the chair is the greatest influence on this.

Ideally, the board chair should not lead the board evaluation, administer questionnaires or interview directors.

However, this does not mean that the chair should not debrief with individual directors on the results of the assessment.

### The governance committee

The chair of the governance committee (or its equivalent), should be responsible for leading the assessment process. The governance committee may conduct the assessment tasks or delegate some or all of them to a third party consultant or, as appropriate, a staff member. The governance committee is responsible for the design and conduct of the assessment and the questionnaires, interviews and related activities. It is also responsible for coordinating the summarization, analysis and reporting of the results of the assessments to the board and the feedback on performance to individual directors and chairs.

Alternatively, if a governance committee does not exist, the board may act as a committee of the whole under the leadership of a director other than the board chair or CEO.

## 14. What techniques and support may be used when conducting an assessment?

The principal techniques for collecting and compiling assessment information include questionnaires and interviews.

A questionnaire (or survey) should ensure that the full range of effectiveness issues is assessed and that the right questions are asked in order to surface key issues and reflect best practices. Surveys should contain a combination of quantitative scoring metrics, and also provide the opportunity for directors to provide qualitative verbal commentary to contribute background and context to quantitative scores. The verbal commentary should not be attributed in order to preserve anonymity but may be summarized.

The two most common approaches to qualitative analysis are interviews and direct observations; the former being far more prevalent.

#### 360 Degree Assessments

In a “360 degree assessment”, the board, its committees and individual directors are assessed by board members and others, such as reporting staff, using a confidential survey.

An interview can be structured or free-flowing, and can create a powerful dynamic if done properly. Interviews may be conducted by the chair of the governance committee, board chair or an external governance adviser. These conversations may provide greater candour and be more effective in addressing sensitive issues than a questionnaire, particularly interviews conducted by a third party where anonymity is assured. An interview can also be more collective in nature, such as a facilitated group discussion with the board.

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“We get these standardized forms — 10 or 12 pages, and you check, check, check... We have got to do something about the evaluation process. They have to be better. They have to be tougher.”

*Professional director, having served on approximately 30 boards.*

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Consideration should be also given to how the assessment is carried out, *i.e.*, internally administered by the governance committee or externally facilitated. For example, there can be significant disadvantages of a board conducting its own internal review:

- Confidentiality of individual responses is likely to be compromised, leading to reluctance to offer critical commentary out of concern for working relations;
- The board may not possess the knowledge of leading governance practice or assessment criteria or may lack experience in conducting such reviews;
- The board may be too dependent on management to support the assessment;
- The board may lack sufficient objectivity and need a “push” to be self-critical;
- The board may be vulnerable to subtle political or interpersonal agendas and relations; and
- Directors may simply lack the time or resources to conduct a thorough review.

A qualified governance assurance provider can provide an independent source of assistance and support. They are accountable to the committee (or board) rather than management and can assist in establishing objective criteria, supporting the review process, compiling data and providing feedback and recommendations to the board, committees and individual directors.

In the corporate world, there is an increasing interest in periodic independent reviews to provide greater objectivity and independent validation than self-review. NPOs may wish to consider a similar practice.

The responsibility for the conduct of governance assessments and the authority to marshal the appropriate resources should be explicitly addressed in the mandate of the governance committee (or the board, if a governance committee does not exist) and the position description for its chair.

## Conducting Assessments

Not-for-profit boards should ensure that their governance assessments are customized to reflect the federal or provincial legislation under which they are incorporated, other statutes and regulations with which they must comply, and accepted good practice principles of the not-for-profit sub-sector and organization involved.

### 15. What should be evaluated when the effectiveness of the board and its committees is assessed?

At a minimum, the effectiveness of the board or committee should be assessed and measured against its mandate to confirm that responsibilities are addressed and that board process is effective.

Board process refers to how the group makes decisions. Committee process refers to how members review and recommend. Boards and committees are composed of diverse individuals who have different attributes and behavioural patterns. Process should be an important consideration of any board or committee assessment.

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#### Behaviour of Directors

“Behavioural aspects is the next level... If we get... to this point, it will be a huge accomplishment. And it will take a lot of work.”

*Governor of a not-for-profit board*

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## Board and Committee Processes to be Assessed

### Leadership

- the contribution of the chair to effective board processes and meetings
- the quality of committee work — review, recommendation, coordination and reporting to the board

### Procedures and resources

- information flow, agenda-setting, work-plans, calendars, committee structure, *etc.*
- length, frequency and location of meetings
- resources, assurance advice and support provided
- director education and development processes
- quality of *in camera* sessions

### Dynamics

- the behaviour of members and the mix of attributes and characteristics
- the quality of discussions and communication at meetings
- informal processes such as dinners, offline communications, retreats, *etc.*

### Relationships

- the actions and attitudes of the CEO and other reporting staff towards governance
- the relationship between the CEO and the board, and the CEO and chair
- the board's relationship with senior staff and the quality of staff presentations
- the board's relationships with, and expectations of, stakeholders such as funders, members, the community, *etc.*
- the board's relationship with regional and national boards of organizations with chapters.

Appendix 2 provides an example of a board effectiveness survey.

## 16. What should be evaluated when the effectiveness and contribution of individual directors and chairs is assessed?

The volunteer status of NPO directors, the nature of their contribution, and the relevant performance criteria (which may be different from those of business boards) should be taken into account in customizing the assessment.

Directors serve on not-for-profit boards for many reasons, including passion for the organization's mission, self actualization and fulfillment, the development of profile and reputation, networking and social opportunities, and learning and intellectual stimulation. It is in their best interests, as well as those of the organization, that they do the best possible job in their role and continuously strive to improve. The fiduciary duties, standards of care and liabilities imposed upon boards and directors are generally no less stringent than those in the for-profit sector. Boards should not assume that performance expectations and stakeholder accountability are diminished in the case of NPOs. In many cases they are enhanced.

The purpose of assessing individual directors is to determine how effectively they contribute to achieving the board's mandate. Individual director assessments are most likely to be effective if they consider the three criteria for board membership described earlier in this document:

- Fulfillment of the requirements of the position description for directors — attendance record, preparation for meetings, participation in discussions, understanding of director role, committee service, *etc.*;
- Contribution of the skills and experience for which they were selected — development/fundraising/investment; community relations; member relations; resource/project management, *etc.*;
- Personal qualities and behavioural skills that contribute to the effectiveness of the board — ability to present opinions, willingness and ability to commit time and learn, ability and willingness to ask questions, flexibility, judgment, perspective, and conflict resolution.

Director evaluation should address the competencies and skills each director is expected to bring to the board and the applicable position description(s). This tailoring does not mean that directors should be differently assessed depending



on why they were brought onto the board. The rights and responsibilities are the same for all directors, regardless of how they are selected.

If fundraising is a competency that directors are expected to bring to the board, director assessment should reflect this performance expectation. Care should be taken to assess this and other operational roles within the context of the overall director role and governance obligations.

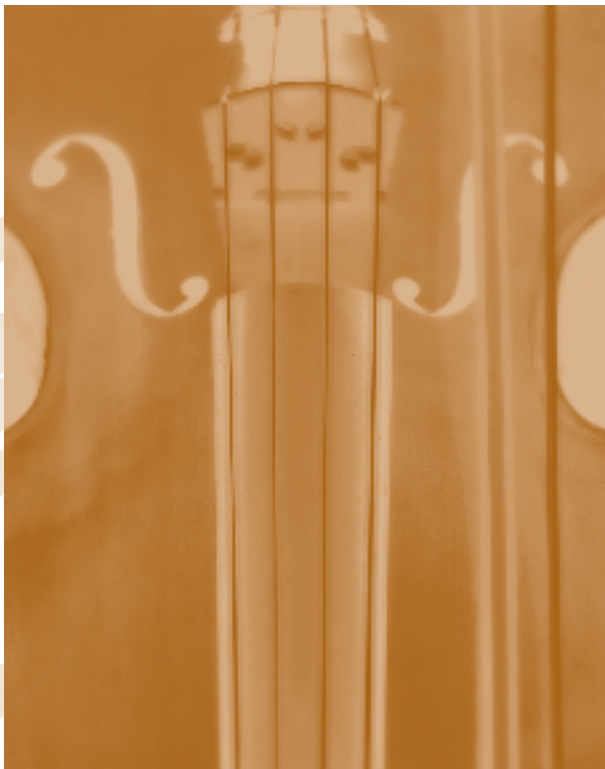
Board and committee chairs may be assessed using the same criteria as individual directors. In addition, their effectiveness as chairs can be assessed against the criteria in Question 7, the chair position description and the performance of the board or the committee they lead.

Appendix 3 is an example of a board member assessment survey. Appendix 4 is an example of a board member self-assessment.

#### Benefits of Director Evaluation Feedback

*“I personally like to see the peer evaluation and see my area of growth. I like to see the opportunity to expand...”*

*Director of a not-for-profit board*



## Assessment Follow Through

The assessment process should go beyond the surveys and data gathering to strengthening board effectiveness. There are four additional considerations for the board:

- how to provide feedback on assessment results to directors, the chair and other stakeholders;
- how to act on the results of board and committee assessments;
- how to manage and safeguard the information produced by the assessment;
- how often to do assessments in the future.

### 17. How should assessment results be disclosed to members and other stakeholders?

The data emerging from governance assessments is sensitive. There should be appropriate assurances of confidentiality and directors should have confidence in the compilation and interpretation of data and provision of feedback. Directors need to be comfortable with the process and tailor it to suit the circumstances of the organization.

An important objective of the assessment of individual directors is to provide them with feedback on their performance so that they can improve their effectiveness. In some cases, directors receive their individual survey results in writing and decide for themselves what action, if any, they should take. However, this provides no accountability or assurance of remediation.

Alternatively, the board chair may hold one-on-one meetings with individual directors. Prior to the meetings, the chair would receive a summary report on the performance of each director. At the meetings, directors are encouraged (or required, if agreed to by the board) to share their assessments with the chair and discuss how, with help from the organization or other directors, they may enhance their effectiveness. This enhancement might include courses or tutorials, time with senior staff to develop a better understanding of the organization, and talking with the chair about how to modify approaches or behaviours to become more effective.

The assessments of individual directors should also be used for re-nomination purposes, provided that the board has given prior approval. Assessment

results may be provided to the chair of the board or governance committee to facilitate a discussion about a director's contribution, development needs and, ultimately, whether the director should continue to serve on the board.

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#### Collective Discussion After the Assessment

"[C]ollective self-reflection as a group and a thorough discussion with the board [takes] time to talk through. We did it recently and it was very successful, the best session in a long time."

*Commissioner of a not-for-profit board*

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The peer feedback process should also apply to the chair of the board. The process is essentially the same as for other directors, except that the chair would typically meet with the chair of the governance committee or past chair to discuss performance and opportunities for improvement, with appropriate follow up. The responsibility for assessment of the chair should be explicitly acknowledged in a board or committee mandate, so directors (and other stakeholders) know how the assessment occurs.

Feedback from board and committee assessments is shared with and discussed by the full board and respective committees, with reporting to the board. The data and/or recommendations flowing from assessments may also be shared as appropriate with members of staff. General information regarding the board assessment and plans for follow-up should also be disclosed in sufficient detail to stakeholders to demonstrate that a rigorous governance assessment regime and follow up procedure is in place, and the results are acted upon.

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#### The *In Camera* Session After the Governance Assessment Findings

"The *in camera* is very important and the most beneficial thing we do on the agenda. We are critical of ourselves... We even have the instrument with us, the board, the committee and the peer questions. Having the instrument means more structure, less informal and more meaning to the instrument."

*Director of a not-for-profit board*

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## 18. How should a board act on the results of board and committee assessments?

The person charged with responsibility for the assessment should present the results of the board assessment to all directors at a portion of a board meeting dedicated to this purpose. The board (or a committee, in the case of a committee assessment) should then meet *in camera* to discuss the results.

Directors should be given a chance to comment on the results and recommend courses of action or priorities in acting on the assessment. The governance committee should summarize the discussion and draft a plan for addressing issues identified and ensuring that the implementation is followed through by key board leaders (e.g., board and committee chairs).

#### The Value of Acting on the Board Evaluation

The results of board evaluation give the governance committee information on what is working and what is not. This insight allows that committee to focus and prioritize board education and learning. So the evaluation leads to positive improvements that may not otherwise happen in such a targeted and timely fashion. In fact, some organizations have completely reorganized their agendas and governance approach following a board evaluation.



### Not-for-Profit Board Assessment — Opportunities for Development

Board assessments may uncover issues in areas such as the following:

- conflicts of interest or conflicts between the best interests of the organization and those of a particular stakeholder;
- lack of clarity around roles, mandates and accountabilities;
- undue influence of or reliance on a particular person or stakeholder;
- difficulty removing directors;
- poor risk management;
- strategic or mission disconnect;
- performance issues relating to fundraising, CEO evaluation, membership levels, program quality, etc.;
- information asymmetries;
- staff relations;
- board leadership and succession;
- board engagement and ability to address key issues;
- donation/funding stewardship;
- financial resource and reporting issues; and
- inadequacies in the development or enforcement of key policies and procedures.

It is important to prioritize opportunities for development and not try to do too much too soon or, worse yet, not act at all. The board could commit to work on three or four key issues for the next year, or until the next assessment. Boards should develop a work plan to address the issues, hold themselves accountable for taking action, and report to members and other stakeholders on their progress.

#### Sharing of Peer Data

“We should share peer data. It’s very helpful and useful. Lots of people think that. It makes directors accountable. It should be positive. It increases group dynamics and personal development. The better the group is, the more candid the evaluation is, and it gets better.”

*Director of a community foundation*

In setting priorities and following up on action taken, leadership by board and committee chairs is essential. Follow up action may include:

- a specific focus in board and director education;
- mandate revisions;
- changes to board, committee and staff reporting, responsibility and accountability;
- management, strategic and financial changes; and
- director rotation, retirement and recruitment.

The feedback and action planning for committee assessments are similar. Once the data from the committee assessment is tabulated, analyzed and reported back to committee members and the rest of the board, the chair of the committee should take ownership of the results and create an action plan that incorporates the findings of the assessment into the committee’s calendar of responsibilities and annual work plan. The governance committee should strongly encourage committee and board leaders to report and follow through on the priorities resulting from their respective assessments.



## 19. How should under-performing directors or chairs be dealt with?

Experienced chairs reduce the risk of unpleasantness or conflict by addressing performance problems as they arise, rather than waiting for a formal assessment or the re-nomination process. Individual performance issues may include lack of knowledge, lack of commitment, under-contributing, problems with integrity, conflicts of interest or other factors. In some cases, directors may be relieved to have the opportunity to discuss the reasons for their underperformance and to explore options for:

- a developmental plan (e.g., mentorship, change of behaviour, relieving oneself of other commitments, etc.); or
- a face-saving solution such as taking a leave of absence, serving in a less onerous role, or resigning.

Most directors are receptive to constructive feedback and suggestions for improvement. Some, however, are unwilling or unable to change their behaviour. This may be because they are embarrassed at having promised more than they could contribute, or because they fear losing a position that is important to them. In such cases, it may be preferable for the director to resign or not seek re-election. If voluntary resignation does not occur, the governance committee may decide to exclude that director from the next slate of nominations. Leaving ineffective directors on the board may appear to be easier than removing them, but the cost of doing so can be resentment by fellow directors and an overall decline in board effectiveness.

The board may, in practice, have limited powers to remove directors. In some cases, directors may lose their positions if they fail to attend a prescribed number of meetings. For other forms of non-performance, the only remedy may be to seek their removal by a special resolution of the members and to hold an election to replace the director — a major and serious undertaking. If the director is appointed, the organization or individual responsible for the appointment should be informed of the performance-related issues, with a recommendation that the director not be re-appointed.

Chairs who exhibit ineffectiveness in a particular area may be counseled by a peer director such as the chair of the governance committee, vice-chair, past chair, etc. in a tactful, discreet manner as to how they might improve their performance. However, an under-performing chair may not seek or may skillfully resist developmental input. If an

ineffective chair neither acknowledges his/her leadership shortcomings, nor desires to address them, the board has a serious problem. If it is deemed that the chair cannot or will not improve, he or she should be asked by the chair of the governance committee to step down as chair or leave the board. The terms of reference for the governance committee may explicitly provide for the review of chair performance and give the board the authority to act on the results.

## 20. How often should governance assessments occur?

Once an organization has initiated board, committee and individual director assessments, it should review the process and consider continuing assessments on a regular basis. This may not occur in strict conformance with calendar periods, given the nature and rhythm of boardroom activities. Some boards opt for an annual assessment process, while others prefer to experiment with the frequency and type of assessment used.

### Possible Governance Assessment Cycles

The various cycles of governance assessment for a board to consider include, but are not limited to, the following possibilities:

- Assessing the board (including board chair) in one year, committees (including committee chairs) in the alternate year, and individual directors as they approach re-election time;
- Having a three year cycle (e.g., board, committees and individual directors in each of years one, two and three), but ensuring that elements of the board evaluation occur at least every two years;
- Conducting a board evaluation each year and alternating between assessing committees and individual directors in alternate years;
- Conducting a comprehensive board evaluation in one year and a progress check on priority issues in the alternate year;
- Alternating between methodologies (e.g., questionnaires in one year and interviews in the alternate year);

The scheduling of chair assessments should take into account the length of the chair's term.

Assessment data can be compared to those of previous assessment cycles so the board, committees and directors can track their progress and development. Where possible, it can be valuable to benchmark the board's effectiveness scores against those of other similar boards, or best practices.

Boards are frequently faced with urgent issues and may be tempted to set aside activities such as governance assessment. For this reason, it is advisable to establish governance assessment as an essential, core function that should not be cancelled or deferred in challenging times or when funds are limited.

## Conclusion

In summary, director recruitment, development and assessment by an NPO board is highly contextual and should be seen as a journey. There is no arrival at a particular and static point of perfection. Boards govern in real time and meet challenges that change from year to year. However, this said, boards that perform their role well over time are usually composed of committed and engaged directors who adopt sound board practices under the leadership of an effective chair. These boards have a 'sense of self' and are committed to continuous learning and improvement.

Experience shows that having such a board is not just happenstance, but results from a deliberate process that includes recruiting and developing directors with the right combination of skills, experience and personal qualities. To achieve and maintain effectiveness, these boards also implement a process for assessing their own performance and that of their directors, chairs and committees, and then acting on the opportunities for improvement and reporting to stakeholders that they have done so.

Directors on such boards lead by example, set the right tone at the top, and, by their actions, display to the organization the importance of being well governed. It is hoped that the principles and practices articulated in this document may assist boards and individual directors in this regard.





## Appendix 1 – Director Competency Matrix<sup>6</sup>

Area of Competency <sup>7</sup>	Incumbent Directors					Prospective Directors		
	1	2	3	4	5...	1	2	3
<b>Core Board Knowledge, Skills and Experiences</b>								
CEO / Enterprise Leadership								
Industry / Sector								
Governance / Board								
Financial								
<b>Desired Knowledge, Skills and Experiences</b>								
Accounting / Audit								
Advocacy / Communications								
Development / Fundraising								
Community Relations								
Diversity (e.g., gender, culture balance)								
Geography								
Government / Public Sector Relations								
HR / Performance Management, Compensation								
IT / E-Commerce / Privacy Management								
Legal / Regulatory								
Marketing / Sales								
Member Relations								
Risk and Controls								
Operational / Organizational Activities								
Resource / Project Management								
Strategic Planning								

The matrix in this Appendix uses numbers for incumbent and prospective directors, but names could be used if appropriate. The names and detailed resumes can be provided to selected individuals on a need-to-know basis.

<sup>6</sup> Adapted from BEAM™ Not-for-Profit Director Matrix Assessment, © Richard Leblanc.

<sup>7</sup> A definition for competency is “a cluster of related knowledge, skills and attitudes that affect a major part of one’s job (a role or responsibility), that correlates with performance on the job, that can be measured against well-accepted standards, and that can be improved via training and development.” (Parry, 1996, p. 50), Richard Leblanc, submission to Securities and Exchange Commission, 13 July 2009.

## Appendix 2 — Board Effectiveness Survey

The following list is reproduced from a survey used by United Way of Toronto (UWT) and is used with their kind permission. Many of the questions seek views on a rating scale:

*Outstanding — Meets highest standard*

*Good — Exceeds expectations*

*Satisfactory — Meets expectations*

*Inadequate — Below expectations*

*Poor — Requires significant attention*

*DK — Don't know*

There is space for comments should respondents wish to clarify any of their answers.

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### PART I — BOARD TRUSTEE PROFILE

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1. I feel that I was well briefed on the duties of a UWT Board member prior to joining.
2. I have a good understanding of UWT's mission and values.
3. I have a good understanding of the finances of UWT.
4. I have a good understanding of current Board policies and practices.
5. I have a good understanding of UWT's by-laws.
6. I am satisfied with my role and membership on Board committees.
7. I feel that I have sufficient opportunity to express my views about UWT's activities.
8. Are there additional ways in which we could utilize your time and skills as a Board member?
9. What skills do you bring to the UWT Board?
  1. Relationship with Targeted Communities
  2. Knowledge of activities specifically related to UWT's mandate
  3. Community/Grant Making
  4. Financial/Accounting
  5. Funds Development
  6. General Board Experience
  7. Government Relations
  8. Human Resources
  9. Investments
  10. Leadership Role in Corporate Community
  11. Legal
  12. Marketing & Communications
  13. Public Policy Influencer
  14. Strategic Planning
  15. Technology



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## PART II – EVALUATION OF THE BOARD AS A WHOLE

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- 1. Board meetings are conducted in a manner which ensures:**
  - a) Open communication
  - b) Meaningful discussion
  - c) Timely resolution of issues
  - d) Independence from management
- 2. Board meetings are appropriate in terms of:**
  - a) number,
  - b) length of presentations,
  - c) time available for discussion and
  - d) content.
- 3. Pre-meeting material is appropriate and is:**
  - a) Useful
  - b) Timely
  - c) In an efficient format
  - d) In the right amount of detail
- 4. Trustees have adequate opportunity to participate.**
- 5. Trustees with dissenting points of view are given ample opportunity to express their point of view.**
- 6. Collectively, does the current Board adequately have relevant skills and experience in the following areas?**
  1. Relationship with Targeted Communities
  2. Knowledge of activities specifically related to UWT's mandate
  3. Community/Grant Making
  4. Financial/Accounting
  5. Funds Development
  6. General Board Experience
  7. Government Relations
  8. Human Resources
  9. Investments
  10. Leadership Role in Corporate Community
  11. Legal
  12. Marketing & Communications
  13. Public Policy Influencer
  14. Strategic Planning
  15. Technology
- 7. The Board is appropriately reflective of the broad diversity of the community it serves.**
- 8. How adequately does the current Board address the following roles and responsibilities?**
  1. Examines UWT's objectives and mandate to ensure continuing service.
  2. Oversees, approves and monitors the strategic direction, taking opportunities and risks into account.

3. Identifies and assesses the principal business risks.
4. Ensures that systems are in place to manage risks.
5. Oversees the reporting of the organization's finances and monitors against the approved plan.
6. Oversees and evaluates CEO performance.
7. Adopts and maintains a process for senior volunteer succession.

**9. Generally, is the Board of Trustees adequately addressing its overall role and responsibility?**

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### PART III – RELATIONS WITH MANAGEMENT

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1. Management is responsive to appropriate advice and counsel from the Board.
  2. The Board is kept informed by the CEO on material issues.
  3. The quality of management presentations meets Board expectations.
  4. Senior management is appropriately accessible to individual Trustees.
  5. The Board, or one of its committees, oversees the compensation, development and other personnel policies affecting senior management.
  6. The allocation of responsibilities between management and the Board is appropriate and well understood.
  7. The Board feels free to challenge the CEO where appropriate.
  8. The CEO is held accountable to achieve corporate objectives.
  9. Generally, the Board has a good working relationship with management.
- 

### PART IV – BOARD GOVERNANCE

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1. The Board has an adequate process to evaluate the effectiveness of the Board.
  2. The Chair is effective in leading the Board and conducting meetings.
  3. The Board has an adequate opportunity to complete necessary business during in-camera sessions.
  4. When vacancies occur on the Board, there is an adequate process for the Board to recommend required skills / experience for new Trustees.
  5. The monthly compliance reports to the Board of Trustees provide adequate information for Trustees to meet their legal governance responsibilities.
- 

### PART V – BOARD COMMITTEES

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Please list the Committees on which you serve: \_\_\_\_\_

1. The Committee(s) clearly understand its/their duties and responsibilities.
2. Committee agendas provide the appropriate amount of time to discuss significant issues.
3. Committee meetings are appropriate in terms of number.
4. Individual Trustees have adequate opportunity to participate in Committees.
5. The Board's committee structure is appropriate and functions well.
6. Committee discussions are open and candid.
7. The balance between work done by Committees and by the Board is appropriate.

## Appendix 3 – Board Member Assessment

The following list is adapted from a “360 assessment” (feedback that comes from all around an individual) of members of the Board of Healthcare Insurance Reciprocal of Canada (HIROC) and is used with their kind permission. It illustrates the behaviours and actions that can be included in the assessment of individual directors. Although it is designed for 360 assessments, it could be adapted for more limited use including self-assessment. Codes may be used to mask the identities of the individual being assessed and the assessor.

Each behaviour is rated as follows:

Using the following scale, select the most appropriate rating for each behaviour / action. Select only one rating per question by marking the appropriate box.

N <input type="checkbox"/>	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>	6 <input type="checkbox"/>	7 <input type="checkbox"/>	8 <input type="checkbox"/>	9 <input type="checkbox"/>	10 <input type="checkbox"/>
<b>Not able to observe</b>	<b>Poor</b> consistently fails behaviour		<b>Fair</b> meets some behaviour		<b>Acceptable</b> meets majority of behaviour		<b>Good</b> meets or exceeds most behaviour		<b>Excellent</b> consistently exceeds behaviour	
<b>Comments:</b>										

### Member Accountability

1. Demonstrates diligence and prudence in exercising duties as a member
2. Is prepared for meetings
3. Complies with the organization’s code of conduct
4. Seeks opportunities to increase knowledge

### Member Function

5. Understands the key measures and metrics for assessing organizational success
6. Understands and respects the role of the CEO
7. Understands and respects the role of other board members
8. Contributes meaningfully and knowledgeably to board discussions; provides valuable input

### Fiduciary Stewardship

9. Demonstrates an understanding of the key financial metrics of the organization
10. Considers fiduciary stewardship responsibilities in discussions and decision-making

### Asset & Risk Management

11. Demonstrates an understanding of the key components of risk to the organization
12. Considers asset and risk management responsibilities in discussions and decision-making

### Strategic Leadership

13. Understands the organization's operational and environmental contexts
14. Demonstrates awareness of emerging trends affecting the organization and references them in discussions and decision-making
15. Sets a personal example of championing the organization's mission/vision/goals
16. Identifies actions to capitalize on opportunities that will achieve organization's strategic priorities
17. Applies a strategic approach to decision making by considering facts, perspectives, objectives and criteria in discussions
18. Contributes individual skill, knowledge and experience to board discussions
19. Asks challenging and relevant questions in a manner that encourages robust dialogue
20. Works effectively with fellow directors doing their best to build consensus and managing conflict constructively

## Appendix 4 — Performance of Individual Board Members

The following instrument is adapted from page 5 of “Board Self-Evaluation Questionnaire,” Version II, 2008, by the Non-Profit Sector Leadership Program, College of Continuing Education, Dalhousie University, and is used with their kind permission. It illustrates the types of criteria that are emphasized within a self assessment questionnaire for not-for-profit directors.

Circle the response that **best** reflects your opinion. The rating scale for each statement is:  
Strongly Disagree (1); Disagree (2); Maybe or Not Sure (3); Agree (4); Strongly Agree (5).

	1	2	3	4	5
1. I am aware of what is expected of me as a board member.					
2. I have a good record of meeting attendance.					
3. I read the minutes, reports and other materials in advance of our board meetings.					
4. I am familiar with what is in the organization’s by-laws and governing policies.					
5. I frequently encourage other board members to express their opinions at board meetings.					
6. I am encouraged by other board members to express my opinions at board meetings.					
7. I am a good listener at board meetings.					
8. I follow through on things I have said I would do.					
9. I maintain the confidentiality of all board decisions.					
10. When I have a different opinion than the majority, I raise it.					
11. I support board decisions once they are made even if I do not agree with them.					
12. I promote the work of our organization in the community whenever I have a chance to do so.					
13. I stay informed about issues relevant to our mission and bring information to the attention of the board.					
TOTAL					

## Where to find more information

### ***CICA Publications on governance\****

#### The Director Series

#### The 20 Questions Series

20 Questions Directors and Audit Committees Should Ask about IFRS Conversions

20 Questions Directors Should Ask about Building a Board

20 Questions Directors Should Ask about CEO Succession

20 Questions Directors Should Ask about Codes of Conduct

20 Questions Directors Should Ask about Crisis Management

20 Questions Directors Should Ask about Crown Corporation Governance

20 Questions Directors Should Ask about Director Compensation

20 Questions Directors Should Ask about Directors' and Officers' Liability Indemnification and Insurance

20 Questions Directors Should Ask about Executive Compensation

20 Questions Directors Should Ask about Governance Assessments

20 Questions Directors Should Ask about Internal Audit (2nd ed)

20 Questions Directors Should Ask about IT

20 Questions Directors Should Ask about Management's Discussion and Analysis (2nd ed)

20 Questions Directors Should Ask about Responding to Allegations of Corporate Wrongdoing

20 Questions Directors Should Ask about Risk (2nd ed)

20 Questions Directors Should Ask about the Role of the Human Resources and Compensation Committee

20 Questions Directors Should Ask about their Role in Pension Governance

20 Questions Directors Should Ask about Special Committees

20 Questions Directors Should Ask about Strategy (2<sup>nd</sup> ed)

## Director Briefings

Climate Change Briefing — Questions for Directors to Ask

Long-term Performance Briefing — Questions for Directors to Ask

## Director Alerts

Fraud Risk in Difficult Economic Times — questions for directors to ask (July 2009)

Human Resource and Compensation Issues during the Financial Crisis — questions for directors to ask (July 2009)

The Global Financial Meltdown — questions for directors to ask (Oct 2008)

Executive Compensation Disclosure — questions directors should ask (Feb 2008)

The ABCP Liquidity Crunch — questions directors should ask (Oct 2007)

## The Not-for-Profit Directors Series

### NPO 20 Questions Series

20 Questions Directors of Not-for-profit Organizations Should Ask about Fiduciary Duty

20 Questions Directors of Not-for-profit Organizations Should Ask about Governance

20 Questions Directors of Not-for-profit Organizations Should Ask about Risk

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Internal Control 2006: The Next Wave of Certification – Guidance for Directors

Internal Control 2006: The Next Wave of Certification – Guidance for Management

Understanding Disclosure Controls and Procedures: Helping CEOs and CFOs Respond to the Need for Better Disclosure

\*Available at [www.rmgb.ca](http://www.rmgb.ca)

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Altruvest Charitable Services [www.altruvest.org](http://www.altruvest.org)

BoardSource [www.boardsource.org](http://www.boardsource.org)

Canadian Society of Association Executives [www.csae.com](http://www.csae.com)

Charity Village [www.charityvillage.ca](http://www.charityvillage.ca)

enVision.ca Virtual Resource Centre [www.enVision.ca](http://www.enVision.ca)

CICA Not-for-Profit Organizations Online Resource Centre [www.cica.ca/npo](http://www.cica.ca/npo)

CompassPoint Nonprofit Services [www.compasspoint.org](http://www.compasspoint.org)

Imagine Canada [www.imaginecanada.ca](http://www.imaginecanada.ca)

Nonprofit Library Commons [www.nonprofitscan.ca](http://www.nonprofitscan.ca)

United Way of Canada: Board Development [www.boarddevelopment.org](http://www.boarddevelopment.org)

Volunteer Canada [www.volunteer.ca](http://www.volunteer.ca)



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