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Governance for Not-for-Profit Organizations:
Questions for Directors to Ask

Don Taylor, MBA, ICD.D

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Preface

The Risk Oversight and Governance Board of the Chartered Professional Accountants of Canada (CPA Canada) has developed this Directors' Briefing to help directors of not-for-profit organizations (NFPs) ensure that the NFPs that they serve are equipped with a good governance framework, with the end goal of creating NFPs that are productive, accountable, and deliver on their mission.

This Briefing aids NFP directors in creating such a framework or refining an existing one by steering readers through a process of:
- Understanding the legislative requirements and environment;
- Designing a governance framework;
- Implementing the framework;
- Ensuring the right board dynamics; and
- Ongoing monitoring, learning and improvement.

Throughout the Briefing, there are questions for directors to ask to assure themselves that the NFP's governance framework and supporting processes are effective and suited to the NFP's particular needs. Directors are also encouraged to frame additional questions in the particular circumstances they face.

The Risk Oversight and Governance Board acknowledges and thanks the members of the Not-for-Profit Organizations Committee and the Directors Advisory Group for their invaluable advice and the CPA Canada staff who provided support to this project. A special thank you is extended to the author, Don Taylor, and the editors, William G. Wolfson and Joseph Petrie for their assistance in writing this briefing.

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Executive Summary

For not-for-profit organizations (NFPs), governance is increasingly in the spotlight. Stakeholders and the general public are demanding more transparency and accountability regarding the oversight of organizations of all kinds. Despite this intensifying focus on governance, many NFP directors do not fully appreciate the extent of their oversight responsibility.

Under current legislation and common law, NFP directors have an overall responsibility for the organization and the strategy for achieving its legal purpose. Directors who neglect these responsibilities put the NFP's sustainability at risk.[1]

On the other hand, directors that ensure their NFP is equipped with a good governance framework can ensure that the NFP is productive, accountable and delivers on its mission, ethically and sustainably. This guide sets out a process to help NFP directors create such a framework or in refining an existing one.

Understanding the Legislative Requirements and Environment

A first step in developing NFP governance is to assess the current social, political, economic and regulatory environment in which the NFP operates. Social, political and economic forces will shape the mission and governance needs unique to each NFP.

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1   For more information on the role and responsibilities of directors to an organization, see Jane Burke-Robertson, *20 Questions Directors of Not-for-Profit Organizations Should Ask About Fiduciary Duty*, CICA 2009.

As well, all incorporated NFPs in Canada operate under the *Canada Not-for-Profit Corporations Act* or similar provincial legislation. Implicit in these acts and related legislation is a generic governance framework with clear relationships:

- The board of directors is elected by the members of the NFP.
- As the senior oversight entity, the board appoints and oversees the chief executive officer/executive director (CEO/ED).
- Management hires employees to operate the organization.

Designing the Governance Framework

When considering the NFP's governance framework, directors should consider three questions:

1. What is the fundamental work of the board?
2. How will the board add value?
3. How will the effectiveness of the governance framework be evaluated?

Once the board has explored these questions, directors will be in better position to start designing or refining the NFP's detailed governance framework. No single model suits all organizations. The framework should address:

- The board's independence from management
- The board's primary focus
- Board dynamics
- The primary tools for board work and board support requirements
- The relationship between the board and the CEO/ED.

Directors should look to the work of their board and current best practices in governance to help them develop the details of a governance framework most suited to their organization. Whatever framework is chosen, the separation of board and management roles is one of the most important features of a good organizational governance framework. The work of the board is to see that the organization's mission gets accomplished. Ideally, the work of the organization is the job of management.

Implementing the Governance Framework

Once the board has determined the overall design of its governance framework, the board will be ready to develop the documents to implement the framework. This work involves:

- Creating or confirming the NFP's mission and articles of incorporation, which define the NFP's purpose.

- Reviewing the bylaws, which govern the responsibilities of members and scope of board accountability.
- Reviewing board policies, which govern the work and responsibilities of directors.
- Reviewing organizational policies requiring board approval, which determine which management decisions should be vetted by the board due to their level of risk or reputational concerns.

Getting the Board Dynamics Right

Effective governance is as much about intentions and relationships as it is about governance structures and policies. The best-crafted governance framework can be undone by board factionalism, passive directors or sour board-management relationships. NFPs should ensure their governance framework is supported by policies and processes that encourage good board dynamics, including a strong board-CEO/ED relationship.

Equally important is a board committed to independence, continuous improvement and strong relationships, which requires the following elements:

- Skilled, experienced directors with courage, integrity, collegiality and good judgment.
- A board membership and leadership that, collectively, has sufficient diversity of experience and perspectives for board credibility and sound board oversight and decisions.
- Regular evaluation of the effectiveness of the board, board committees and individual directors.
- A respectful, collaborative relationship with the organization's management, especially between the board chair and the CEO/ED.

Monitoring, Learning and Improvement

Once the framework is established, it should be reviewed regularly to ensure it is operating as intended and to identify areas of improvement.

In summary, an engaged board of directors working within a strong governance framework ensures the NFP has the level of oversight needed to meet regulatory requirements and fulfill its mission efficiently and effectively.

Questions for Directors to Ask

This Briefing offers the following questions for directors to consider asking themselves or management, as appropriate:

Understanding the Legislative Requirements and Environment

- What mechanisms are in place to monitor external trends and developments that may affect the NFP's community, mission and services?
- What is the board's process for regularly reviewing its governance documents to ensure they are current with legislation and with the way the board does its work?

Designing the Governance Framework

- Is the organization clear on the outcomes for which it exists to achieve?
- What is the board's role and how does it add value to the organization?
- Is the existing separation of roles and responsibilities between the board and management formally documented, commonly understood and respected in practice?
- What processes are in place to ensure that the board spends sufficient time focusing on emerging trends and anticipating the future needs of the community it serves?
- What processes are in place to ensure management supplies sufficient operational information for the board to fully exercise its oversight duties?

Implementing the Governance Framework

- Are the NFP's mission and articles of incorporation current? How does the board ensure that they continue to be relevant for the foreseeable future?
- Do the NFP's founding document(s) separate the bylaws, board policies and organizational policies?
- Do the NFP's board policies encompass the full scope of the work of the board and how the board organizes itself to do that work?
- Are you satisfied that the NFP's organizational policies are appropriate to the NFP's complexity, size and risk tolerance? Do they respect the separation of board and management duties?

Getting the Board Dynamics Right

- What size of board is appropriate, given current objectives and workloads?
- Does the collective membership and leadership of the board and board committees reflect the diversity and inclusiveness necessary for effective board oversight and decision-making?
- Is the board's director recruiting and selection process effective? How does the board ensure that director recruitment is based on a set of specific board-level competencies, including diversity and sector-specific expertise?
- What processes are in place to ensure the board regularly evaluates what is working well and what needs improvement for the board, board committees and individual directors?
- In doing its work, how does the board ensure it sets the appropriate "tone-at-the-top" for the organization's ethics and values?
- Is the CEO/ED appropriately empowered? How does the board measure and manage the CEO/ED's performance in a timely manner?
- What steps could be taken to improve the quality of board dynamics?

Introduction

For NFPs, governance is increasingly in the spotlight. Stakeholders and the general public are demanding more transparency and accountability regarding the oversight of organizations of all kinds. Interest is growing over how NFPs make use of public funds, whether from donors, government grants or tax benefits.

Despite this intensifying focus on governance, many NFP directors do not fully appreciate the extent of their oversight responsibility. Even though they are often volunteers, directors of NFPs have clear legislative and common-law obligations.

As a board, directors are obliged to:
- Oversee all aspects of the NFP's management and operations.
- Make decisions in the best interests of the organization, taking into account the impact on members and/or other stakeholders.

As individual directors, they are obliged to:
- Exercise the care, diligence and skill that a reasonably prudent person with similar knowledge and expertise would exercise in comparable circumstances ("duty of care").
- Act honestly and in good faith in the best interests of the organization ("duty of loyalty").

In short, directors have an overall responsibility for the organization and the strategy for achieving its legal purpose. They need to understand why the NFP exists, how it is legally structured, the interests of its stakeholders and how it manages the risks it faces.

Directors who neglect these responsibilities put the NFP's sustainability at risk. On the other hand, directors that ensure their NFP is equipped with a good governance framework can ensure that the NFP delivers on its mission, ethically and sustainably.

Developing an Effective NFP Governance Framework

This guide sets out a process to help NFP directors create a new governance framework or refine an existing one. The framework will help the board organize itself to carry out its responsibilities, fulfill its accountability to its membership and others, and distinguish its work from that of management. We also set out questions for directors to ask to assure themselves that the NFP's governance framework and supporting processes are effective and suited to the NFP's particular needs. These questions appear in context at the end of each section, and they are collected in a complete list at the end of the Executive Summary.

A key message in this guide is that good governance should be anchored to relevant legislation and to the work of the board, rather than to a specific model. The reason for this is straightforward: if an NFP board adopts a governance model off-the-shelf, the temptation may be to adopt the model verbatim. Doing so risks turning the focus toward making the NFP fit the model, with little attention of the NFP's practical needs. The questions in this document offer a starting point for initiating discussions among directors about how to tailor their NFP's governance framework to suit its circumstances and objectives.

Equally important to effective governance are board dynamics: How effectively directors work together and with the organization's management team and how disciplined the board is in operating within the spirit of its policies and the values of the organization.

The graphic on the following page sets out the steps involved in creating or refining a framework for NFP governance. The graphic also shows how this guide is organized and the topics covered.
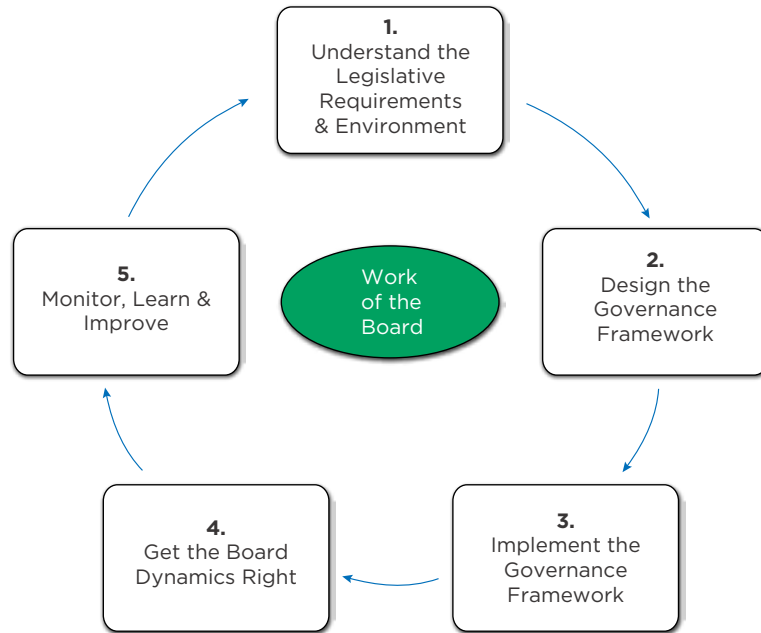
Which NFPs Should Use This Guide?

This guide is designed to assist NFP directors who are overseeing the creation or renewal of a governance framework, as well as to help NFP directors who are new to their role understand the structure and obligations of governance.

All NFPs can use the guide to assess what they can do to enhance their governance standards and practices and develop a governance framework suited to their circumstances.

1. Understanding the Legislative Requirements & Environment

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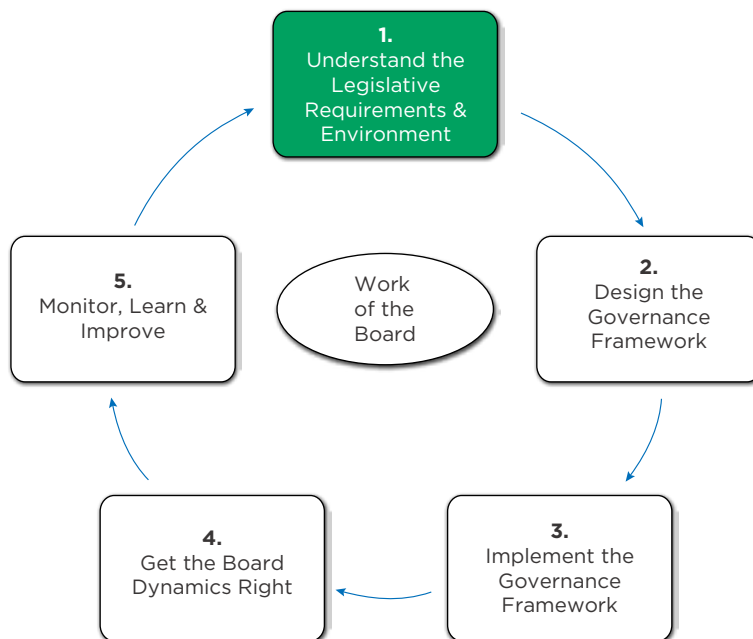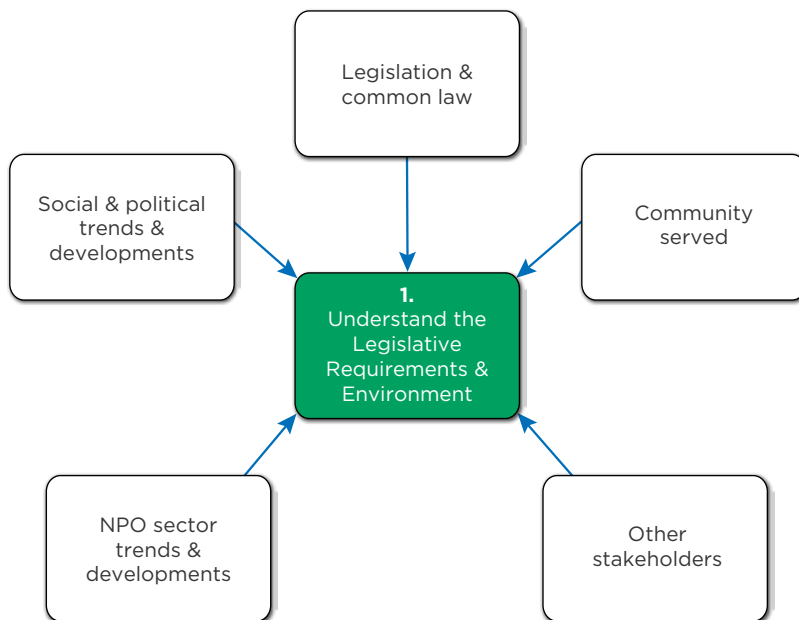
Generic Governance Framework for NFPs

The first step in developing NFP governance is to assess the current social, political, economic and regulatory environment in which the NFP operates. Social, political and economic forces will shape the mission and governance unique to each NFP.

Additionally, all incorporated NFPs in Canada operate under the *Canada Not-for-Profit Corporations Act* or similar provincial legislation. One of the board's duties is to ensure the NFP operates within those requirements. The board should also monitor and respond to changes to the governance requirements included in this legislation.

Implicit in the legislation is a generic governance framework with clear relationships:
- The board of directors is elected by the members of the NFP.[2]
- As the senior oversight entity, the board appoints the CEO/ED.
- Management hires employees to operate the organization.

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2   NFPs can generally be divided into two categories: mutual benefit and public benefit. Mutual benefit NFPs are accountable to their members in a direct way—their purpose is tied to benefiting members. In public benefit NFPs the members are more like supporters than beneficiaries of the NFP's activities—in these cases the directors need to demonstrate accountability to the NFP's "public" rather than its members.

This generic framework provides the basis for directors to develop a governance framework that meets the NFP's circumstances and priorities.

Generic Governance Framework

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     │ Advisors│   │ Employees │
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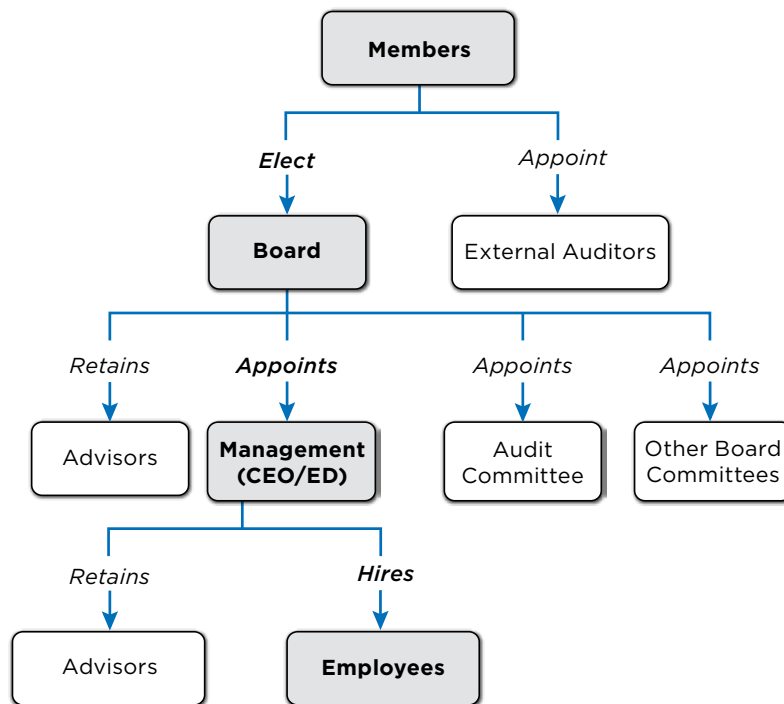
Fundamental Governance Principles

The legislation and common law related to governance embody two fundamental principles:

1. The **board** is responsible for all aspects of the organization, including overseeing its operations and holding management accountable for delivering on the mission of the organization. Boards are required to make decisions that are in the organization's best interests. In reaching a decision, the board must be able to demonstrate that it took into account the decision's impact on the NFP's members and various other stakeholders.[3]

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3 Courts will not second-guess a board's decision if directors discharged their fiduciary responsibilities in reaching the decision and the board has followed a sound decision-making process, which includes taking into account the decision's potential impact on various stakeholders.

2. Each **individual director** on the board has a fiduciary duty to the organization, which is comprised of two main duties:
   a. *Duty of care*—to act with the competence and diligence that a reasonably prudent person with similar knowledge and expertise would exercise in comparable circumstances.
   b. *Duty of loyalty*—to act honestly and in good faith in the best interests of the organization.

In this context, it is important to recognize that a director's *role* is as a member of the board but their *responsibility* is as an individual. A director cannot delegate this responsibility.

These principles imply that directors are entitled to request any information they require to fulfill their fiduciary and duty of care obligations. While CEO/EDs may find such requests intrusive, they need to be sensitive to the information gap directors face in meeting their responsibilities under the governance principles. Each member of the management team spends about 2,000, or more, hours a year on the work of the organization, whereas a director typically spends a small fraction of that time.

Hierarchy of Governance Authority

The legislation establishes a hierarchy of authority for the NFP's governance. The documents within this hierarchy are as follows:

1. **The NFP's incorporating document,**[4] which sets out the NFP's purpose, the terms and conditions of incorporation. If the NFP is a charity and/or receives government funds, the articles of incorporation may also include provisions relevant to protecting the public trust and ensuring public monies are used for their intended purpose.

2. **The NFP's bylaws,** which set out the outline for the governance of the NFP including the rights of members and the scope of the board's authority.

3. **Board policies,** which describe the board's governance framework: how it will exercise its authority, meet its responsibilities and manage its affairs.

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4   These were previously known as the "Charter" or "Letters Patent." Today these could be Articles of Incorporation or Articles of Continuance.

General Governance Authorities

Approval authority	Document hierarchy

Legislation — Articles of Incorporation

Members — Bylaws | Mission

Board — Board policies | Corporation: Vision, values, strategy and organizational policies
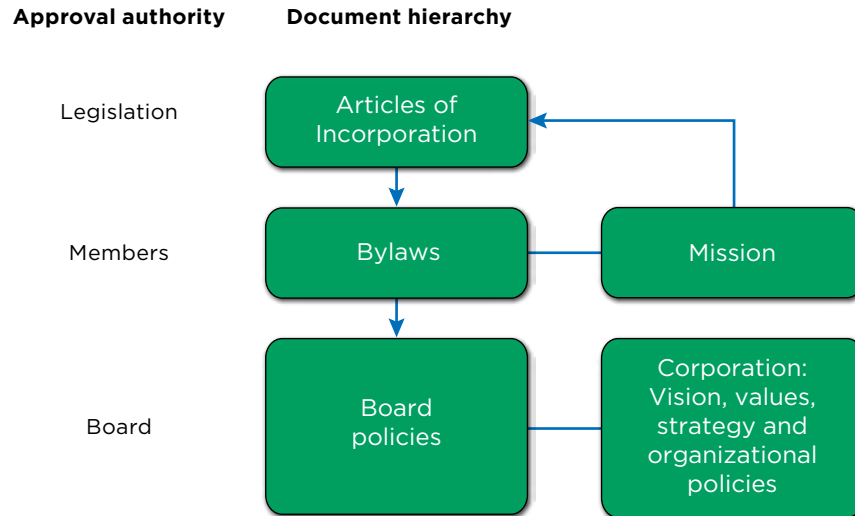
Directors should keep in mind that organizations providing funding to NFPs typically look closely at the NFP's governance. They often require NFPs to follow certain governance practices, which helps to reassure the funding bodies that their monies are being well used for the purposes intended.[5]

QUESTIONS FOR DIRECTORS TO ASK
- What mechanisms are in place to monitor external trends and developments that may affect the NFP's community, mission and services?
- What is the board's process for regularly reviewing its governance documents to ensure they are current with legislation and with the way the board does its work?

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5   NFP boards and directors are subject to other legislation and associated regulations, such as provincial and federal legislation for health and safety, employment and income taxes.

2. Designing the Governance Framework

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│ What is the work│   │  How will the   │   │  How will the   │
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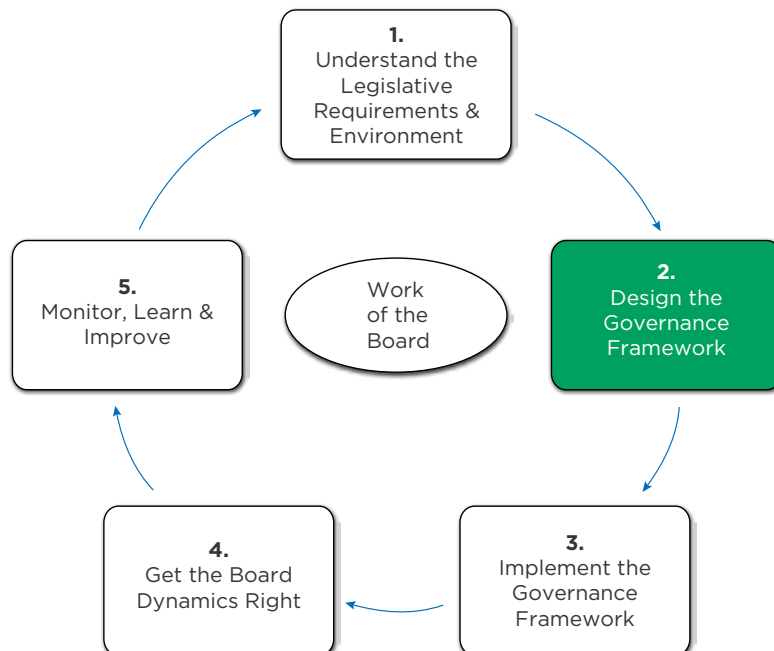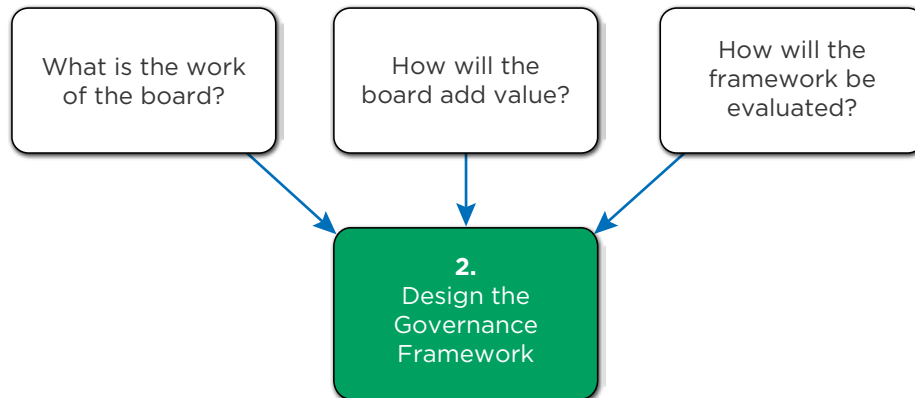
Getting Ready

Governance is how a board of directors oversees the operations of an organization such as an NFP. Canadian NFPs use a variety of different governance models (see Appendix 1). There is no single governance model that is best suited to NFPs. Each has its own strengths and limitations. A board develops its governance framework to suit its work and circumstances, using an existing model (or models) only as a guide.

When considering their NFP's governance framework, directors should step back and consider three questions:

1. What is the fundamental work of the board?
2. How will the board add value?
3. How will the effectiveness of the governance framework be evaluated?

1. What Is the Fundamental Work of the Board?

The board is accountable for all aspects of the NFP. In choosing a governance framework, an NFP should focus its attention on the board's oversight work. That work consists of:

- Approving the mission, vision, values and strategic directions.
- Monitoring organizational performance.
- Overseeing the financial affairs of the organization.
- Selecting, supervising, evaluating and compensating the CEO/ED.
- Assessing organizational risks and opportunities.
- Developing the board's governance framework and processes, and managing board dynamics.

Appendix 3 provides a sample Annual Work Plan for organizing an NFP board's regular activities.

In carrying out its work, the board sets boundaries for the organization on ethics, direction and risk. The behaviour of the board and its decision-making (the "tone-at-the-top") strongly influence how the organization lives its values.

2. How Will the Board Add Value?

An effective board brings independent oversight underpinned by good judgment to guide the NFP to fulfill its mission within the terms of its articles of incorporation and its bylaws.

The board's oversight role involves consideration of the NFP's affairs along three timeframes:

- *Assessing the past*—What happened in the last year? Among other things, the board should review and evaluate the NFP's audited financial statements, service quality and quantity measures, and the health, retention and development of staff.

- *Assessing the present*—What is happening now? Is the NFP meeting its operating plan with regard to budget and service objectives and its milestones for key projects and initiatives? Does management handle crises well by promptly identifying and accommodating changes in planning assumptions and in its operating environment?

- *Assessing the future*—What is happening externally that could affect the NFP in the coming months and years? Shifts in government policy, emerging trends in labour markets, new client services, and stakeholder and demographic trends can influence the organization's continued relevance and sustainability. Part of the board's role is to recognize and analyze changes in the organization's environment to determine the medium- and long-term implications for its services (including to whom, where, how and when they are delivered), its finances, and its capacity and capabilities.

Boards should determine if their work is appropriately distributed among these timeframes. If the NFP's survival is under threat, the board should concentrate on pressing current matters. Otherwise, boards should spend at least as much time assessing the future as on assessing the present. This helps ensure that the organization gains full benefit from the directors' collective insights and perspectives.

Future-oriented items should be regularly scheduled on board agendas so the board can understand the NFP's environment and emerging issues and consider scenarios for response. Doing so will strengthen the board's preparation and decision-making.

3. How Will the Effectiveness of the Governance Framework Be Evaluated?

When determining the optimal governance framework for an NFP, priority should be given to measures that will help ensure its effectiveness. Governance is effective when:

- It reflects current standards of good governance.
- Its policies and processes are consistent with the organization's level of complexity, maturity, resource availability and values.
- It is flexible enough to evolve in step with the organization.
- It creates and nurtures healthy board dynamics.
- It fosters a respectful, collaborative relationship between the board and the CEO/ED.

Three Common Governance Models for NFPs

Once the board has explored the three questions above, directors will be in a better position to design or refine the NFP's detailed governance framework. No single model suits all organizations. To help directors consider their options, this chapter compares and contrasts the features of three governance models that separate the roles of board and management:[6]

1. Traditional Model
2. Carver Policy Governance® Model (the "Carver Model")
3. Results-Based Model.

The premise shared by these three models is that the organization formally reports to the board through the CEO/ED and the board oversees the organization through the CEO/ED. In short, the board can be seen as having one employee: the CEO/ED.

> The separation of board and management roles is one of the most important features of a good organizational governance framework. The work of the board is to see that the organization's mission gets accomplished. Directors should not do the organization's work. They typically lack the time and operating expertise of paid employees, who can do the work more efficiently. Further, doing or managing the day-to-day work undermines the independence checks and balances of the board's oversight role.

6   These models apply to NFPs that have staff, rather than small organizations with no staff.

Traditional Model—Hands-On Board

This model offers a relatively informal, transitional framework for governance. Board and management roles are formally separate, although they may become blurred. For example, board committees often mirror organizational functions (e.g., finance, operations, public affairs) and individual directors often work jointly with management to advance organizational projects.

This model requires the board to have a deep understanding of the NFP's operations and gives management direct access both to operational expertise of directors and to their extra hands. However, the board can inadvertently undermine accountability and leadership effectiveness of the CEO/ED, for example, by acting as if staff other than the CEO/ED report to the board. Further, the short-term, inward focus on activities, outputs and processes can cause the board to neglect the long-term view, which may undermine the NFP's sustainability.

Carver Model—Focus on Policy to Shape Board Work

This model offers a formal, structured and disciplined framework for governance. It relies heavily on board policies to guide the work of both board and management. Responsibility for policy is assigned to the board. Responsibility for operations is assigned to management. In other words, the board's obligation is to see the NFP achieves its intended ends, while the board delegates the responsibility for carrying out the acts to achieve the ends to management. Many of the NFP's organizational policies and decisions take the form of board policies entitled "Executive Limitations." The responsibility for ends focuses the board on emerging external trends and issues that affect the NFP's ability to accomplish its mission and on outcomes for communities served.

The Carver Model highly formalized separation of policy and operational roles is often misinterpreted. Some believe that this separation means that the board is not entitled to operational information and, when the board seeks such information, management may feel the board is meddling. Access to operational information is essential for the board's ability to provide effective oversight and to anticipate, recognize and mitigate risks to the organization.

Boards following this model should ensure that the emphasis on oversight through policy compliance does not diminish the importance of the board's judgment so that the NFP fully realizes the benefits available from experienced and competent directors.[7]

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7   For example, Michael Kempa of the University of Ottawa, in analyzing the Morden report into actions of police and the Toronto Police Services Board during the 2010 G20 Summit in Toronto concluded: "… the Board apparently considered that it was responsible and empowered to ask only the broadest policy questions, and not to proactively shape and hold police operations to the standards of best practice and the public interest." ("Civilian oversight bodies must pierce police silence, " *The Globe and Mail*, July 6, 2012 at page A11.)

Results-Based Model—Focus on Results to Shape Board Work

A hybrid of the Traditional and Carver Models, this model offers a formal, structured and disciplined governance framework in which the board relies as much on its directors' judgment as it does on policy in doing its work. While the board's work under the Carver Model centers on board policies, the Results-Based Model focuses the board on the outcomes and deliverables of the organization and its component parts. Board and management roles are formally separate, with a focus on results or outcomes. As with the Carver model, board committees deal with the work of the board. Board decisions rely on an understanding of how the NFP does its work without intruding on management's operational domain ("noses in, fingers out").

By paying more attention to board dynamics, the judgment of board members, and the board's oversight of risk, the Results-Based Model takes a more flexible approach to board decision-making. However, boards following this model can have a bias to action, which may give too little attention to process and cause the NFP to move too quickly for stakeholders' and members' comfort.

Each of the three models can provide a practical governance framework for an NFP, provided the board is sensitive to the strengths and limitations of each. Directors should look to the work of their board and current best practices in governance to help them develop the details of a governance framework most suited to their organization.

Summary of key features

	Traditional Model	Carver Model	Results-Based Model
Board independence from management	Weak	Strong	Strong
Primary tools for board work	Ad hoc	Policies	Judgment within a policy framework
Board's primary focus	Operations	Policy compliance	Results and risk management
Board-CEO/ED relationship	Ad hoc	Formal	Formal
Board dynamics	Ad hoc	Informal	A high priority
Board support requirements	Low to medium	Medium to high	Medium to high
Types of entities that employ the model	Popular with NFPs that have limited resources and/or that are transitioning from an operational (hands-on) board since directors can fill gaps in required expertise	Well-known in the NFP sector and adopted by many boards	Though often characterized as a corporate or entrepreneurial model, its use by NFPs is increasing

Quick Fixes for Common Governance Issues

Reviewing and strengthening an NFP's governance can take a long time—up to a year or more in some cases. As this work proceeds, the board can take immediate steps to address common governance issues in the short term.

A Risk of the Traditional Model: Blurring of Directors' and Management's Roles

- Create separate agendas and minutes for board meetings: one set for operational matters and one set for board matters.
- Update or establish a board policy for directors' conflict of interest in developing management proposals (e.g., directors should declare conflicts and refrain from voting on management proposals that they have helped develop).
- Dedicate board time for governance education and discussion of the board's effectiveness.
- In the medium-term, devise a plan to develop the board by recruiting directors who bring different perspectives and expertise.
- As the experience and maturity of the management team allows, transition the work of the board and board committees away from operations and toward the work of the board.

A Risk of the Carver Model: Lack of Attention to Emerging Issues and Risk

- Assess whether an emphasis on policy compliance is taking precedence over good board judgment, resulting in slow responses to material changes in circumstances.
- Assess whether the board understands how the NFP does its work well enough for the board to recognize and to translate external issues and trends into organizational risks and opportunities.
- Assess whether the board has enough operating information to ensure financial and non-financial risks are anticipated and mitigated.
- Ask management to develop a set of robust performance indicators for the board to monitor.
- Ask management to provide alternatives to each proposal presented for board approval.

A Risk of the Results-Based Model: Bias Toward Quick Action Based on Monitoring of Operational Results

- Ensure management develops the NFP's strategy in consultation with the board.
- Confirm that major new organizational and strategic initiatives are in line with the NFP's mission and capabilities.
- Monitor the organization's stress and consider whether the board is pushing the NFP too hard, given its capabilities and resources.
- Assess whether the NFP has the information systems and management experience to support the board in fact-based decision-making.

QUESTIONS FOR DIRECTORS TO ASK

- Is the organization clear on the outcomes for which it exists to achieve?
- What is the board's role and how does it add value to the organization?
- Is the existing separation of roles and responsibilities between the board and management formally documented, commonly understood and respected in practice?
- What processes are in place to ensure that the board spends sufficient time focusing on emerging trends and anticipating the future needs of the community it serves?
- What processes are in place to ensure management supplies sufficient operational information for the board to fully exercise its oversight duties?

3. Implementing the Governance Framework
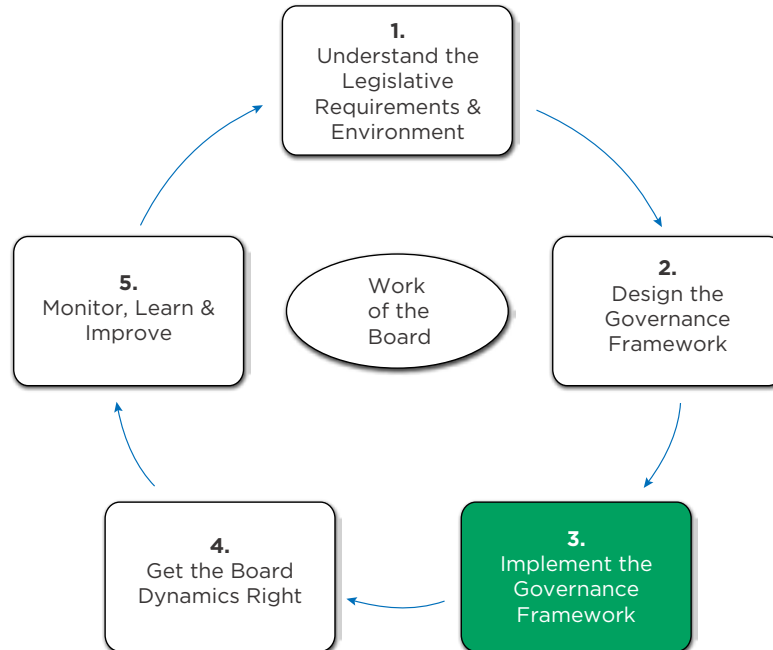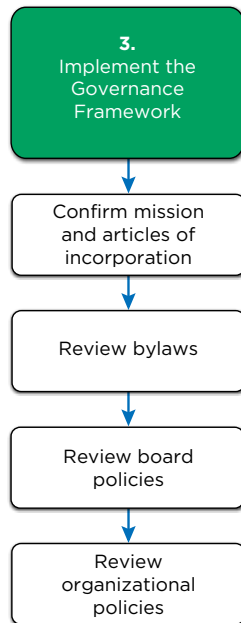
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Once the board has determined the overall design of its governance frame-work, the board will be ready to implement the framework.

The process involves ensuring the NFP's purpose or mission and articles of incorporation are aligned and that the articles and bylaws are consistent with current legislation governing the organization. The amount of work involved in this process depends on an NFP's level of governance maturity.

Key Steps for Implementing NFP Governance

1. Create or Confirm Mission and Articles of Incorporation

All governance elements flow from the articles of incorporation. Before undertaking governance revisions, it is wise to ensure that the mission and articles of incorporation are relevant for the foreseeable future. The NFP's mission (i.e., its purpose) shapes the articles of incorporation. Some NFP articles may be 30, 40, or even 50 or more years old. The missions of these articles may no longer be relevant, for example, because the original com-munity need no longer exists or the articles no longer reflect the NFP's current operations.

If the board concludes that the mission and articles should be revisited, it should discuss what changes are required with the NFP's members and other significant stakeholders. NFPs should consider obtaining facilitation and governance expertise to assist.

2. Review the Bylaws

The NFP's bylaws govern:

- Membership (types of members, rights of members, membership fees, how members are chosen), annual general membership meetings, voting rules, voting processes (including voting electronically, by email, teleconference or by proxy) and revocation of membership.
- Board (role, appointment and removal).
- Appointing an external auditor.
- Dissolving the organization and disposing of its assets.

Some NFPs have a single founding document created before the board was appointed, which includes legitimate bylaw content, as well as content that deals with policies for the board and management. Other NFPs have a separate founding document of board policies, which may also include organizational and even operating policies and processes. These documents probably made sense at the NFP's creation as they were intended to get the organization up and running. But once the NFP has matured, it should revisit its founding document(s) to separate the bylaws, board policies (pertaining to the board) and organizational policies (pertaining to management).

3. Review Board Policies

Board policies deal with the work of the board and how the board organizes itself to do its work. Board policies should be easily understood, easily linked to the board's work and easily used. Board policies typically cover the following topics:

- Scope of board responsibilities such as approving strategic directions, overseeing asset stewardship, financial sustainability and service quality, nurturing stakeholder relations, maintaining good governance practices, and supervising the CEO/ED
- Board meetings (open and in-camera, quorums) and meeting protocols (including minutes, electronic voting)
- Relationship between the board and management (CEO/ED)
- Directors' duties, conduct, selection and appointment
- Board structure: committees and their mandates, leadership, size and composition
- Board officers
- Board evaluation, development and renewal.

Appendix 2 sets out sample mandates for board committees.

There is debate about whether fundraising is an operational matter only, or can be a legitimate role for the board or board committee. Some NFPs create a separate foundation with its own board for this purpose.

4. Review Organizational Policies Requiring Board Approval

Organizational policies relate to those management decisions that involve significant risk for the organization, and/or are fundamental to the ethics and reputation of the organization. Their importance reaches a level that requires board oversight. In comparison, operational policies relate to the normal day-to-day activities of the organization, supervised by management.

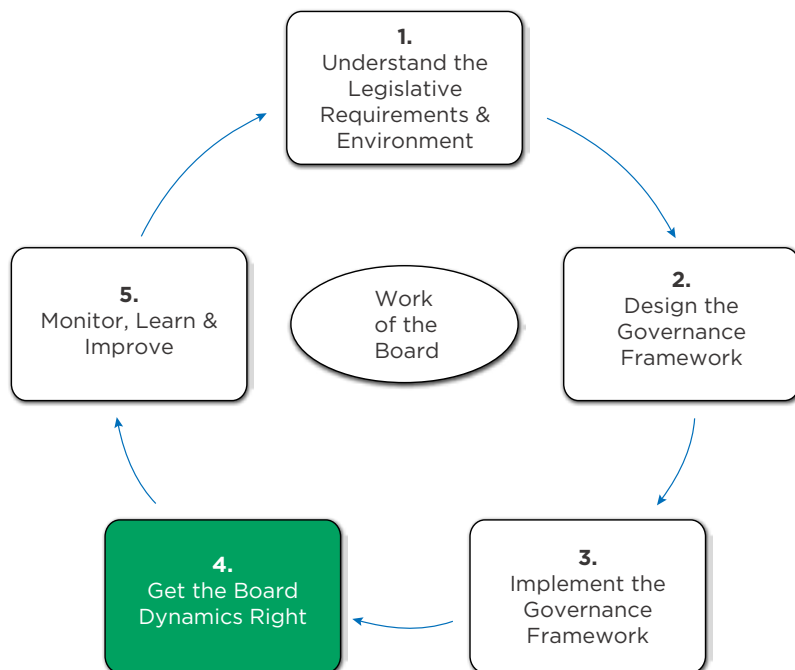Organizational policies can include some or all of the following:
* Process for developing and reviewing the mission, vision and values
* Process for developing and monitoring key organizational plans such as the strategic plan, the annual operating plan, the risk management plan
* Investment policy
* Expenditures or investment commitments over a certain size
* Key elements of risk and organizational health such as procurement, signing authorities, compensation principles, diversity, safety, complaint resolution
* Key performance indicators (or balanced scorecard) for items such as service quality, productivity improvement, work force quality, information systems quality, financial performance.

Work at this step needs to be done carefully to respect the separation of board and management responsibilities, exclude purely operational decisions and policies, and avoid inadvertently damaging board-management relations. The number of organizational policies depends on the NFP's complexity, size and risk tolerance. Organizational policies also may be needed regarding matters that the board needs to formally communicate to major funders as a condition of continued funding.

QUESTIONS FOR DIRECTORS TO ASK
* Are the NFP's mission and articles of incorporation current? How does the board ensure that they continue to be relevant for the foreseeable future?
* Do the NFP's founding document(s) separate the bylaws, board policies and organizational policies?
* Do the NFP's board policies encompass the full scope of the work of the board and how the board organizes itself to do that work?
* Are you satisfied that the NFP's organizational policies are appropriate to the NFP's complexity, size and risk tolerance? Do they respect the separation of board and management duties?

4. Getting the Board Dynamics Right

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| Evaluate the board's performance | Evaluate board committees' performance | Evaluate individual directors' performance | Evaluate CEO/ED's performance |
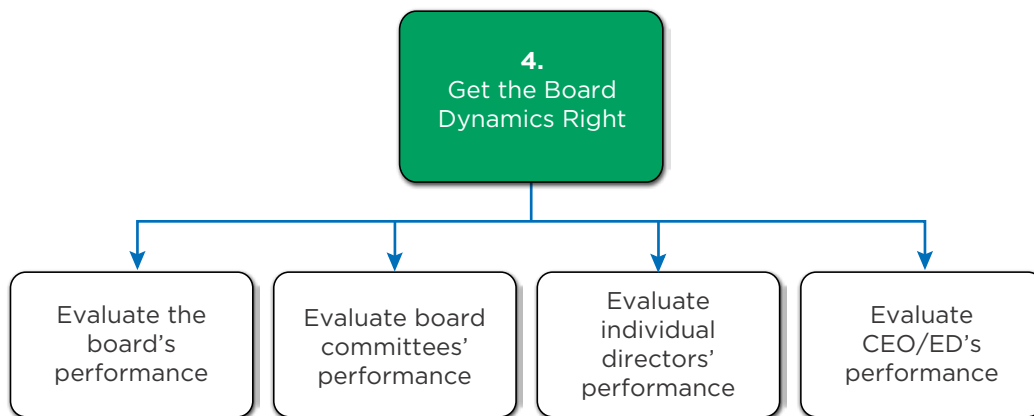
Assessing Board Dynamics

Effective governance is as much about intentions and relationships as it is about governance structures and policies. The best-crafted governance framework can be undone by board factionalism, passive directors or sour board-management relationships. Further, unless the board has the discipline to use the framework and underlying policies as intended, the NFP will have the appearance of good governance but not the substance. For these reasons, NFPs should ensure their governance framework is supported by policies and processes that encourage good board dynamics, including a strong board-CEO/ED relationship.

Equally important to healthy board dynamics is a board committed to independence, continuous improvement and strong relationships, which requires the following elements:

- Skilled, experienced directors with courage, integrity, collegiality and good judgment
- A board membership and leadership that, collectively, has sufficient diversity of experience and perspectives for board credibility and sound board oversight and decisions
- Regular evaluation of the effectiveness of the board, board committees and individual directors
- A respectful, collaborative relationship with the organization's management, especially between the board chair and the CEO/ED.

Desired Attributes of Directors

In addition to expertise and experience, a strong director should have:

- The courage to ask tough questions, propose solutions, refuse to rubber-stamp proposals or recommendations, and support difficult board decisions.
- The integrity to do the right thing openly and honestly.
- The collegiality to work respectfully and diplomatically with board colleagues and management.
- The good judgment to seek different points of view, to take time to deliberate before reaching conclusions, to contribute context to discussion, to seek realistic rather than perfect solutions, and to provide useful insights to management.[8]

Evaluating the Board's Effectiveness

An effective board regularly evaluates what is working well and what needs improvement for the board, its committees and individual directors. Evaluations help the board strengthen its effectiveness in managing risk and improve its decision-making and board dynamics. The evaluation process gives a voice to all directors, thereby strengthening their engagement and contribution. An evaluation is a non-threatening way to uncover issues that might otherwise go unstated.

Evaluating the Board

Boards should evaluate themselves annually. Well-resourced boards may opt to use outside professionals to conduct the evaluation. But boards can accomplish a lot by doing their own evaluation, provided it is done confidentially (e.g., using online survey tools). Appendix 3 features an example of an Annual Board Effectiveness Survey.

Two things are key for deriving value from an evaluation:

1. The survey responses must be confidential, and preferably anonymous, to encourage frank feedback. To that end, a good survey tool includes both rating scales and open-ended questions to help identify both areas of consensus and serious differences in perspectives.

2. The full board should promptly discuss the evaluation results and identify two or three priority issues for immediate action. Building an effective board is an ongoing task, so it is better to focus the board's energies on resolving two or three of the most pressing issues each year. This concentrates board energies and increases the likelihood of improvement.

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8   For a more detailed discussion of key attributes of effective directors, see Dimma, William A., *Governance Q&A*. The Journal of the Institute of Corporate Directors, Issue 150, June 2010; and Issue 151, September 2010.

The board must take charge of the evaluation and follow-up action plan, never management. The board chair (and governance committee chair or vice chair) should lead the survey process, with administrative support from management.

Evaluating Board Committees

Board committees serve the board. Annual evaluation of board committees helps ensure they are contributing value for the board and are effective in their deliberations. A committee self-evaluation, led by the committee chair, can be done at little cost. Committee members could be asked to answer the following four questions (or some variation of them), in writing:

- What is working well for the committee?
- What needs improvement?
- What should be the committee's work priorities for the upcoming year?
- What additional education or information would benefit the committee?

The committee would then use the aggregate results to decide on follow-up actions.

Evaluating Individual Directors

By evaluating directors individually, boards can help them improve their contributions to the work of the board. A director's contribution includes the quality and quantity of participation in board meetings. They can also contribute by serving on board committees or in board leadership positions.

A simple, inexpensive and non-intrusive approach to director evaluation is for each director to do a self-assessment privately by answering a few questions, such as:

- Is this the right board for me?
- Am I making a meaningful contribution?
- What would I like to do to improve my contribution?
- What additional support do I need to improve my contribution?
- What board committees would I be interested in sitting on, and when?
- What board leadership role interests me; when would I feel ready to assume it?

More preferably, the board chair may meet with each director individually, using these questions as a basis for the discussion. The key to this approach is diplomacy, confidentiality and a genuine intent of helping directors improve their contributions.

Many NFP boards do not formally evaluate individual members, largely because doing so is perceived as awkward and hugely time-consuming for the (volunteer) board chair. As a result, many individual directors remain in the dark as to their effectiveness and contribution.

Opting out of director evaluation entirely is unwise. At a minimum, the chair should meet with individual directors who are not pulling their weight on the board or otherwise detracting from its effectiveness. These meetings should take place when a performance pattern becomes clear, rather than on an annual cycle. To save face for all concerned and lessen the workload of the chair, the immediate past chair of the board may handle the meeting.

Additionally, without one-on-one meetings with board members, board leaders remain in the dark about individual board member aspirations to serve on other board committees or their aspirations for leadership positions on the board or its committees.

One way to get this information is for the board's governance committee to gather the information at the same time as it gathers the information for the annual assessment of the board's competency/skills mix. Appendix 3 sets out an example of a format for collecting information for the assessment.

Director attendance at board and committee meetings is important to the quality of board dynamics and committee effectiveness. Poor attendance weakens director effectiveness, promotes uneven distribution of board work among directors, weakens board dynamics and effectiveness, and creates quorum problems for board and board committee meetings. The board should set a clear expectation of 100% attendance at board and committee meetings, barring extenuating circumstances.

Building a Healthy Relationship with the CEO/ED

The board-CEO/ED relationship is the most important one in the NFP. The CEO/ED translates the board's directions into action and provides the board with most of its information about how the organization is performing. Consequently, a healthy productive relationship between the board and the CEO/ED—and especially between the board chair and the CEO/ED—is essential to the board's effectiveness and the NFP's success.

Directors should ensure that the CEO/ED is appropriately empowered. If the CEO/ED is not sufficiently empowered to manage the organization, in policy and in practice, unproductive tension between the board and CEO/ED will

likely develop. On the other hand, an overly empowered CEO can also harm board-management relations and make it more difficult for the board to pro-vide effective oversight.

A healthy board-CEO/ED relationship depends on cordial, frank and respectful two-way communication. One way to foster this communication is to have in place an up-to-date, succinct (one-two page) description of the CEO/ED's role and responsibilities, including:

- A short overview statement of the scope of the CEO/ED role (e.g., reports to the board chair, responsible for all of the NFP's operations, builds and nurtures healthy external relations).
- A description of all main responsibilities, preferably expressed in terms of expected outcomes and avoiding detail.
- A description of qualifications including experience, education and expected behaviours, striving for realism and avoiding excessive expectations and detail.

The CEO/ED's job description should be reviewed and updated periodically. It also should be reviewed when there is a change in CEO/ED or in the NFP's direction. For example, the skills and priorities required of a CEO/ED who leads a stable organization differ from those required for an organization embarking on an aggressive growth path. The CEO/ED's job description should change in step with any broader strategic changes of the NFP.

A second element vital to effective two-way communication between the board and CEO/ED is a well-designed, disciplined, timely performance effec-tiveness (or performance management) process.

The process typically starts with the setting of annual outcomes-based goals for the CEO/ED that are tied to the organization's strategic plan. The CEO/ED's goals should include organizational goals (quantitative and qualitative) and development goals for improving the CEO/ED's effectiveness. The CEO/ED is then evaluated annually on their success in achieving those objectives.

This process leads to a written set of goals and a written evaluation of the CEO/ED's success in meeting them. However, the discussions about CEO/ED performance among directors and between the chair and CEO/ED are where the real communication and clarification of expectations occur. In fact, these could be the most important conversations held within the organization.

The CEO/ED performance effectiveness process requires an investment of time by the board and especially the chair. However, the process does not have to be overly complex or time-consuming. The cost of this investment is recouped many times over by more effective communication between the CEO/ED and the board, by a more engaged board, by increased success of the organization in achieving its mission, and by more satisfied stakeholders.

Appendix 3 provides a template for gathering feedback to assess CEO/ED performance.

QUESTIONS FOR DIRECTORS TO ASK
- What size of board is appropriate, given current objectives and workloads?
- Does the collective membership and leadership of the board and board committees reflect the diversity and inclusiveness necessary for effective board oversight and decision-making?
- Is the board's director recruiting and selection process effective? How does the board ensure that director recruitment is based on a set of specific board-level competencies, including diversity and sector-specific expertise?
- What processes are in place to ensure the board regularly evaluates what is working well and what needs improvement for the board, board committees and individual directors?
- In doing its work, how does the board ensure it sets the appropriate "tone-at-the-top" for the organization's ethics and values?
- Is the CEO/ED appropriately empowered? How does the board measure and manage the CEO/ED's performance in a timely manner?
- What steps could be taken to improve the quality of board dynamics?

5. Monitoring, Learning and Improvement: A Continuous Cycle
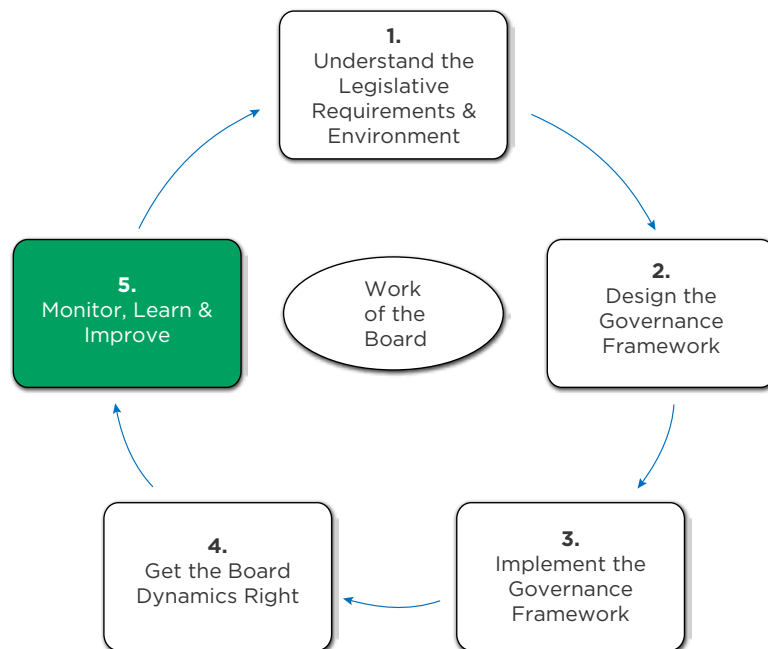
In summary, the journey to upgrade governance can be a daunting task for small and medium-sized NFPs faced with a limited supply of time, funds, and information systems.

To keep the process manageable and on track, consider the following:

- *Be realistic about what is doable, given the organization's level of governance maturity and available resources.*

- *Seek outside governance resources.* They provide excellent value for money, and free up board and management time to attend to the business of the organization. Diverse organizations, such as CPA Canada, local United Ways, Imagine Canada, Alberta's Muttart Foundation and others offer free or low-cost governance resources such as tools, advice and training. In addition, organizations such as CPA Canada, the Institute of Corporate Directors (ICD) and The Directors College, for little or no charge, support director recruiting efforts of NFP organizations by circulating vacancy postings to accredited directors on their registries.

- *Keep things as simple as possible.* It is better to have a simple framework that is implemented well than a complex framework that promises much but delivers little, or worse, gets ignored or abandoned altogether. Support good governance with simple tools and processes.

- *Involve the entire board and senior management team* to build an appreciation of what good governance entails and create ongoing support for it.

Once the framework is established, it should be reviewed regularly to ensure it is operating as intended and to identify areas of improvement. When a significant change is required, revise the relevant board or organizational policy immediately. Otherwise, a good rule of thumb is to review every board and organizational policy at least every three years from the policy's most recent revision.

An engaged board of directors working within a strong governance framework ensures the NFP has the level of oversight needed to meet regulatory requirements and fulfill its mission efficiently and effectively.

Appendix 1: Governance Models in the Canadian NFP Sector

Mel Gill's *Governing for Results: A Director's Guide to Good Governance* is the definitive classification and analysis of Canadian governance models for NFPs, and a highly practical guide to the basics of good governance. The table below, adapted from Gill, summarizes ten of these models, with reference to other similar models where appropriate. The models in the shaded rows below are discussed in Chapter 2.

Governance Types/Models in Canadian Not-for-Profit Sector

Board Types/Models	Board Focus	Typical NFP
Operational (*Gill*). Similar to Executive (*Willson/George*) and Founding (*Duca*)	**Doing day-to-day work of organization** with limited governance.	Either start-up or very small organization; few or no staff.
Collective (*Gill*)	**Operations** plus collective stakeholder decision-making.	Emerging, single cause, or very small, no or few paid staff.
Management (*Gill*). Similar to Sustaining (*Duca*)	**Management** of operations and **governance**. Board work aligned with operational functions.	Generally small, with some staff.

Board Types/Models	Board Focus	Typical NFP
Representative (*Gill*). Similar to Representative (*Bradshaw/Hayday/ Armstrong*)	Balance constituent interests with organization's interests: ranges from **governance** to a **mix of policy governance, management and operational functions**.	Publicly elected bodies (e.g., school boards), federations, or associations, with a paid CEO/ED. May or may not be well-staffed.
Traditional (*Gill*). Similar to Traditional - Structural (*Banff*)	Oversee operations through CEO/ED. Extensive use of standing and ad hoc board committees, aligned with management functions. Often have an executive committee of the board.	Well-established. May or may not be well staffed.
Policy Governance—Carver Model (*Gill; Willson/George; Banff; Bradshaw/Hayday/ Armstrong*)	Establish policies and monitor CEO/ED on compliance with policies (Set the "ends" and "executive limitations" - leave the "means" to CEO/ ED).	Well-established, well-staffed, often larger NFPs.
Results-Based (*Gill*). Similar to Cortex (*Banff*), Entrepreneurial (*Bradshaw/Hayday/ Armstrong*), Learning (*Willson/George*), and Corporate (*Duca*)	Set organization's direction/goals, and monitor progress and risks to their achievement. Board committees aligned with board responsibilities.	Well-established and well staffed. Not as common in NFP sector as Carver Model.
Fundraising (*Gill; Banff*)	Raise funds, invest and disburse funds.	Limited staff.
Advisory (*Gill*)	Provide advice and contacts. No governance or operational responsibilities. Handpicked by CEO/ED for her/his guidance.	NFPs wanting input from specific community groups or constituencies.
Emergent Cellular (*Bradshaw/Hayday/ Armstrong*)	Monitor environment, challenge assumptions and act as catalyst for change. Diffused decision-making responsibility.	Used by some advocacy organizations. Rare in practice.

Appendix 2: Sample Mandates for Board Committees

Board committees help the board carry out its oversight role. They conduct the in-depth analyses, monitoring and review that the board as a whole cannot do as efficiently or effectively. Board committees serve the board and their work is aligned with the board's work. However, board committees do not have decision-making authority.

A board may appoint as many committees as it feels necessary. Care should be taken to limit their number as having too many committees hampers board effectiveness. Committees should be small in size and chaired by a board member.

Sample mandates of two committees are shown below. NFPs and NFP boards that are too small to have a committee (such as a governance committee) could use the content of these mandates to guide diligent board consideration of these topics.

Sample Mandate—Governance Committee

The governance committee, consisting of at least *[NFP to insert number]* directors, assists the board to create and maintain a healthy governance culture that reflects current governance standards and good practices. In particular, the committee:

1. Recommends to the board a plan for ongoing board education and development, and leads the orientation of newly elected directors;

2. Leads director recruitment and succession planning for the board and board committees;
3. Reviews each of the corporation's bylaws and board policies every three years and recommends changes as required;
4. Leads an annual evaluation process to assess board, committee and director effectiveness and director engagement;
5. Monitors compliance of the corporation with the NFP's bylaws and board policies;
6. Facilitates development of a set of performance indicators and processes that assist the board to monitor the organization's performance and to manage risk;
7. Leads the development of the CEO/ED's annual performance plan and evaluation, and related compensation recommendations;
8. Leads the board's annual planning retreat, including developing the agenda and content, and post-retreat follow-up;
9. Recommends to the board, annually, a work plan of deliverables for each board committee; and
10. Reports quarterly (or more frequently if required) to the board on the committee's work.

Sample Mandate—Finance and Audit Committee[9]

The finance and audit committee, consisting of at least *[NFP to insert number]* directors and chaired by a director with an accounting designation, assists the board to ensure the organization operates in a financially prudent manner with (i) appropriate controls and checks and balances to safeguard assets and (ii) processes to identify and mitigate financial risks.

The committee, in its finance role:
1. Reviews the annual business plan processes and assumptions, and recommends the annual business plan to the board;
2. Monitors the financial and business plan performance and recommends to the board actions to address variances;
3. Reports on management's compliance with statutory filings;
4. Reviews and recommends an information management/information technology strategy, and monitors management's progress in implementing the strategy;

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9   Ideally, the finance committee should be separate from the audit committee. In practice, the two often are combined into one committee, usually because directors with the expertise required for each committee sit on both committees. If using a combined committee, it is important to have separate agendas and meeting minutes for the committee's finance and audit work.

5. Recommends to the board the organization's facilities plan, and reports to the board on progress in implementing the plan;

6. Recommends appointment of the Bank of Record, and appointment terms and conditions;

7. Recommends banking arrangements, including lines of credit and long term debt;

8. Reviews management's risk assessment framework and planning to ensure continuity of operations, protection of assets and adequacy of insurance coverage;

9. Recommends performance indicators and processes that assist the board to measure and monitor the organization's financial performance and related risk;

10. Recommends investment policies and monitors compliance and performance;

11. Recommends to the board, annually, a committee work plan (see 19 below); and

12. Reports quarterly (or more frequently if required) to the board on the committee's work.

The committee, in its audit role:

13. Oversees internal and external audit processes with respect to the accuracy of financial reporting, and the quality and integrity of internal accounting and control systems and processes;

14. Recommends appointment of the external auditor, and appointment terms and conditions; approves the auditor's engagement letter;

15. Sets the auditor's scope of work, and oversees performance of the audit;

16. Oversees implementation of the auditor's recommendations;

17. Reviews the audited financial statements and the auditor's report, and makes recommendations to the board;

18. Makes recommendations to the board to ensure auditor independence;

19. Recommends to the board, annually, a committee work plan (see 11 above); and

20. Reports quarterly (or more frequently if required) to the board on the committee's work.

Appendix 3: Tools for Effective Board Dynamics

Example—NFP Annual Board Effectiveness Survey[10]

Please answer the following questions based on this rating scale: Strongly Agree (5); Agree (4); Somewhat Agree (3); Somewhat Disagree (2); Disagree (1); Disagree Strongly (0); Don't Know (DK)

	5	4	3	2	1	0	DK
1. The organization fulfills its mission well *(service outcomes quality and volume)*.							
2. The organization uses its resources effectively *(good value for the money spent)*.							
3. The board regularly assesses organizational risks and opportunities.							
4. The board complies with requirements outlined in key elements of its governance framework *(bylaws, policies, code of conduct, conflict of interest, values)*.							
5. The board's annual workplan is effective in managing the board's work.							
6. Board committees provide useful support to the board *(they surface relevant issues and opportunities for board consideration, their reports to the board are succinct and focused)*.							
7. Collectively, directors have the appropriate experience and skills required to effectively carry out their responsibilities.							
8. Board composition reflects the diversity of the community the organization serves.							
9. The board's capacity to govern effectively is not impaired by conflicts among directors.							

10 Modified from Gill 2005.

	5	4	3	2	1	0	DK
10. The board uses sound decision-making processes *(e.g., focused on board responsibilities, factual information, efficient use of time, items not frequently revisited, diverse points of view are welcomed, decisions are not "rubber-stamped").*							
11. Board meetings are effectively conducted *(all members engaged, sufficient information provided in advance, members' questions/comments are respected and responded to meaningfully).*							
12. The board has an effective succession plan for its leadership positions.							
13. Orientation and board development adequately prepares directors to fulfill their governance responsibilities.							
14. The board has a productive working relationship with the CEO/ED (e.g., good communication, mutual respect, clear accountability).							
15. The board does a good job of evaluating the performance of the CEO/ED (measuring results against objectives).							
16. The board has a formal CEO succession plan.							
17. I feel engaged in the activities and responsibilities of our board.							
18. I feel that I have been able to make a meaningful contribution.							
19. I feel I am fulfilling my role and duty as a director.							
20. Overall, I enjoy my volunteer experience as a director.							

Suggestions and Comments
What suggestions do you have for improving the engagement of our directors?
What suggestions do you have to improve our board meetings?
Do you have any other suggestions for improving the effectiveness of our board?

Example—Annual Work Plan for an NFP Board

The example below is based on quarterly board meetings and a fiscal year commencing on April 1.

Regular board meeting frequency varies widely across the NFP sector, from semi-annually to quarterly to monthly (or near monthly). Factors that influence the frequency of board meetings include complexity of the NFP's work, maturity of the board, the NFP and its management team, and force of habit. Unless an organization is a start-up or in survival mode, a board should be able to accomplish its work with well planned and well organized quarterly meetings, an annual meeting and a board retreat.

Board Meeting	Topic	Action
Q1 (April)	• Fundraising plan	Approve
	• Board development	Develop improvement plan based on board effectiveness survey
	• Director nominations	Approve
	• CEO performance	Conduct annual review and set goals for current year
	• Board committee recommendations	Approve
	• Annual accountability report to funder(s)	Approve
Annual meeting (June)	• Audited financial statements	Approve
	• Annual General Meeting	Agenda and motions
		Elect board
	• Board development	Elect leaders for board and board committees
		Conduct new director orientation
Q2 (July)	• Board annual work plan	Approve
	• Key Performance Indicators	Review
	• Financial statements	Review
	• Board committee work plans	Approve
	• Board and organizational policies	Review and revise as necessary
Q3 (October)	• Key Performance Indicators	Review
	• Financial statements	Review

Board Meeting	Topic	Action
Board retreat (November)	• External scan	Discuss sector and stakeholder issues and opportunities
	• Strategic plan	Review and approve
	• Board development	Board & management team meeting
Q4 (January)	• Key Performance Indicators	Review
	• Financial statements	Review
	• Investment performance	Review
	• Investment mandate	Confirm
	• Annual operating plan & budget	Approve

Example—NFP Board Competencies Template

Board Directors — columns for *Date Appointed to Board* and *Years Remaining - Current Term* are blank for all directors.

Board Directors	Credentials	Governance	Strategic Planning	Fundraising	Executive Leadership	Financial Management	Marketing/Communication	Advocacy/Gov't Relations	Legal	Human Resources	Information Technology	Quality/Risk Management	Community Development	Diversity	Youth	Male	Female	Geographic - Region 1	Geographic - Region 2	Service User
Director 1	B.A.	4	3	4	1	3	1	2	1	1	1	2	4	✓		✓		✓		
Director 2	M.Ed., LL.B.	2	4	2	2	2	3	3	5	4	1	2	1				✓			
Director 3	B.A., ICD.D.	5	5	2	4	2	1	3	1	1	1	2	2				✓		✓	
Director 4	MBA, CPA, CA	3	4	1	3	5	3	1	1	1	3	3	1				✓			
Director 5	Eng. Tech.	2	2	1	2	1	2	3	1	1	4	3	2		✓	✓				
Director 6	MBA	4	5	1	2	3	2	1	1	1	5	4	1	✓		✓		✓		
Director 7	B.Jour	3	2	2	1	3	4	3	1	1	3	1	2	✓		✓				
Director 8	CPA, CMA	2	2	4	5	5	1	1	1	4	1	1	4		✓	✓				
Director 9	B.Sc.	2	2	5	3	2	4	2	1	1	2	1	5			✓		✓		
Director 10	BSW, C. Dir.	5	4	1	1	1	1	4	1	1	1	2	4				✓	✓		
Vacant																				
Vacant																				
Distribution		32	33	23	24	27	22	23	14	16	20	21	26	3	2	6	4	4	1	

Candidates	Credentials	Governance	Strategic Planning	Fundraising	Executive Leadership	Financial Management	Marketing/Communication	Advocacy/Gov't Relations	Legal	Human Resources	Information Technology	Quality/Risk Management	Community Development	Diversity	Youth	Male	Female	Geographic - Region 1	Geographic - Region 2	Service User
Candidate 1	LL.B.	3	2	1	1	2	1	3	5	4	1	2	4	✓		✓		✓		
Candidate 2	B.Sc., LL.B.	2	4	3	4	1	1	1	5	2	4	1	1			✓		✓	✓	
Candidate 3	Service User	1	3	5	3	2	2	4	1	1	3	3	2			✓		✓		✓
Candidate 4	Service User	4	1	2	2	3	3	3	1	3	1	1	5				✓			✓

Each director's level of expertise/experience is assessed on a five-point scale where: 1 = no and 5 = substantial expertise/experience.

Example—Questionnaire: Stakeholder Feedback on CEO/ED Performance

The best way to obtain a rounded perspective on the CEO/ED's annual performance is to solicit confidential feedback from the directors, the CEO/ED's direct reports and from the CEO/EDs of key external stakeholders. These perspectives can broaden the views that the board and board chair have developed over the year and enrich the board's performance feedback to the CEO/ED.

The questionnaire below offers a simple, inexpensive format for gathering feedback on the CEO/ED's performance, with a small investment of time and resources.

The suggested questions for stakeholders are impersonal and focus on the stakeholder's experience in dealing with the organization. External stakeholder CEO/EDs are more likely to be forthcoming in discussing the quality of the relationship between the two organizations, rather than the performance of the NFP's senior leader directly.[11]

QUESTIONNAIRE—CEO/ED EVALUATION	
Directors, CEO/ED Direct Reports	**Key External Stakeholders**
Over the last 12 months: • What do you feel were *[CEO/ED's]* key accomplishments? • Were any expectations you had for *[CEO/ED]* not met? • What advice would you give *[CEO/ED]* to enhance their effectiveness in moving *[NFP]* forward this coming year? • Overall, how would you rate *[CEO/ED's]* performance? • Any other comments or suggestions?	Over the last 12 months: • How effective has [NFP] been in working with your organization? • Do you have any suggestions for how [NFP] could improve its effectiveness with your organization? • What do you feel have been [NFP] key achievements in our community? • Do you have any suggestions for how [NFP] should enhance its role in our community? • Any other comments or suggestions?

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11   For a more comprehensive discussion of this and related topics, see Adrienne Campbell, *20 Questions Directors Should Ask About Human Resources*, CICA 2011.

Where to Find More Information

CPA Canada Publications on Governance

(available at www.cpacanada.ca/governance)

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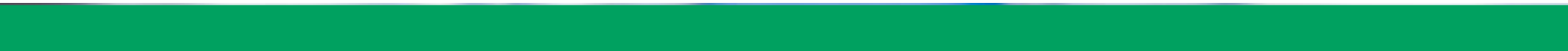
About the Author

Don Taylor, MBA, ICD.D

Don Taylor has served on not-for-profit boards of local, regional and provincial organizations in the association, arts, healthcare, fundraising and children's services sectors. His experience includes leadership of board governance and compensation committees, board policy development, and development and implementation of CEO performance effectiveness principles and process.

Don also understands board governance from the management side of the table, having made numerous board presentations during his 10 years as a business economist and more than 20 years as a human resources executive in telecommunications, government, commercial R&D, healthcare and child welfare.

He currently sits on the board of the Mississauga-Halton Community Care Access Centre, where he leads the CEO Compensation and Performance Effectiveness committee. He is founding co-chair of the Board Alumni group of the United Way of Peel Region. As well, he is a member of the Healthy Debate Citizen Advisory Council and a volunteer with CESO, assisting First Nations organizations.

Don is a graduate of the University of Regina (BA Honours Economics), and Western University (MBA). He holds an ICD.D designation from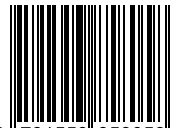 the Institute of Corporate Directors.