

20 Questions Directors of Not-For-Profit Organizations Should Ask About Recruiting, Developing, Assessing and Renewing Directors

Richard Leblanc, CMC, BSc, JD, LLB, MBA, LLM, PhD



20 Questions Directors of Not-For-Profit Organizations Should Ask About Recruiting, Developing, Assessing and Renewing Directors

Richard Leblanc, CMC, BSc, JD, LLB, MBA, LLM, PhD

DISCLAIMER

This paper was prepared by the Chartered Professional Accountants of Canada (CPA Canada) as non-authoritative guidance.

CPA Canada and the authors do not accept any responsibility or liability that might occur directly or indirectly as a consequence of the use, application or reliance on this material.

Library and Archives Canada Cataloguing in Publication

Title: 20 questions directors of not-for-profit organizations should ask about recruiting, developing, assessing and renewing directors / written by Richard Leblanc (CMC, BSc, JD, LLB, MBA, LLM, PhD).

Other titles: Twenty questions directors of not-for-profit organizations should ask about recruiting, developing, assessing and renewing directors

Names: Leblanc, Richard, 1965- author. | Chartered Professional Accountants of Canada, issuing body.

Description: Includes bibliographical references.

ISBN 978-1-5254-0317-0 (PDF)

Subjects: LCSH: Nonprofit organizations—Management. | LCSH: Boards of directors—Recruiting. | LCSH: Boards of directors—Evaluation. | LCSH: Corporate governance. Classification: LCC HD62.6 .L395 2019 | DDC 658/.048—dc23

LCC HD62.6 .L395 2019 | DDC 658/.048—dc23

© 2019 Chartered Professional Accountants of Canada

All rights reserved. This publication is protected by copyright and written permission is required to reproduce, store in a retrieval system or transmit in any form or by any means (electronic, mechanical, photocopying, recording, or otherwise).

For information regarding permission, please contact permissions@cpacanada.ca

Preface

The Corporate Oversight and Governance Board (COGB) of the Chartered Professional Accountants of Canada (CPA Canada) is committed to helping directors of not-for-profit organizations fulfill their responsibility for building and sustaining an effective board through director recruitment, development, assessment and renewal.

Effective boards of not-for-profit organizations are built by identifying the mix of skills, experience, personal qualities and diversity needed of directors collectively to steer the organization toward achieving its mission. This mix provides the basis for finding the right directors for the role, enriching their skills and knowledge, and developing plans for their succession. To sustain their effectiveness, these boards also set processes for assessing their performance, following through on results, and reporting assessment outcomes to promote confidence among stakeholders.

This publication offers a practical guide to help directors establish processes for director recruitment, development, assessment and renewal that ensure their organization is well-governed by a group of directors with the right knowledge and experience, complemented with diverse viewpoints and fresh ideas.

The COGB acknowledges the members of the Not-for-Profit Organizations Committee for their invaluable input and direction, Dr. Richard Leblanc, the author, and the CPA Canada staff who provided support for the project.

Thomas Peddie, FCPA, FCA

Chair, Corporate Oversight & Governance Board

Not-for-Profit Organizations Committee

Bobbi-Jean White, CPA, CA *Chair*
Linda Godel, LLB
Giles Meikle, FCPA, FCA
Ron Stoesz, FCPA, FCMA, C.Dir.
James Temple, CSR-P
Deryck Williams, FCPA, FCA, CMC
Debbie Sevenpifer, CPA, CA, CHE, C.Dir.
Blair Dimock, MA

Corporate Oversight and Governance Board

Thomas Peddie, FCPA, FCA, *Chair*
Hugh Bolton, FCPA, FCA
John Caldwell, CPA, CA
Andrew Foley, JD
Carol Hansell, LLB, MBA, F.ICD
Kathleen O'Neill, FCPA, FCA, ICD.D
Ian Smith, MBA
Robert Strachan, FCPA, FCMA, C.Dir.
John Walker, CPA, CA, LLB
Richard Wilson, HBA

Author

Richard Leblanc, CMC, BSc, JD, LLB, MBA, LLM, PhD

Project Direction, CPA Canada

Rayna Shienfield, JD
*Principal, Corporate Oversight and Governance
Research, Guidance and Support*

Gigi Dawe, LLM
*Director, Corporate Oversight and Governance
Research, Guidance and Support*

Gord Beal, CPA, CA, M.Ed.
Vice President, Research, Guidance and Support

Table of Contents

Introduction	1
Recruiting Directors	3
1. What legal requirements exist for electing or appointing directors?	4
2. What should be the size and composition of the board?	5
3. How should the board and board committees be structured?	6
4. What director competencies does the board need?	8
5. What personal values and behaviours does the board need in its directors?	10
6. What types of diversity should the board seek in its directors?	11
7. What leadership skills and personal qualities do board and committee chairs need?	12
8. How can the board identify and develop a pool of potential directors?	13
9. How should the board recruit prospective directors?	14
10. What types of references and background checks are appropriate?	15
Orienting and Developing Directors	17
11. How should the board orient and develop new directors to enhance their effectiveness?	17
12. How should the board approach leadership development and succession planning?	19
13. How should board, committee and director assessments occur?	22

14. How should the board evaluate its effectiveness and that of its committees?	23
15. How should the board evaluate the contribution of individual directors and chairs?	24
16. How should assessment results be disclosed?	25
17. How should a board act on the assessment results?	26
18. How should director renewal occur?	28
19. Should term limits be used to facilitate director renewal?	29
Disclosing Governance Practices	31
20. How should the board disclose the organization’s governance practices to stakeholders?	31
Summary	33
Appendices	35
Appendix 1: Example—Director Competency Matrix ¹	35
Appendix 2: Board Diversity, Inclusivity and Unconscious Bias	37
Appendix 3: Questions for Directors—Effectiveness of Board Meetings	38
Where to Find More Information	41
About the Author	45

Introduction

To succeed, not-for-profit organizations (NFPs) need their stakeholders and communities to trust that they will deliver on their missions and properly manage their assets, including funding from members, donors, governments and other sources. To gain and sustain this trust, organizations need an effective board of directors.¹

Directors² are at the top of an organization's governance structure. An engaged, skilled board, dedicated to its own improvement, sets the tone for senior management. It can enhance the organization's reputation and credibility when it takes its responsibilities seriously and holds itself accountable for achieving them.

The board has a fiduciary duty³ to the organization. The standards of care and liabilities imposed on not-for-profit boards and their directors are as high as those in the for-profit sector. For charities, stricter standards apply. In many cases, though, stakeholders may expect NFPs to perform at a higher level because of their strained resources, public scrutiny and the potentially vulnerable clients they serve.

To fulfill this duty, the board establishes and oversees the organization's strategic direction, oversees risk management, reporting and communications. It recruits, sets compensation for and evaluates the executive director,⁴ and puts

1 In this guide, the terms "board of directors" and "board" refer to the body responsible for the governance of an organization. Other terms for such oversight bodies include "board of governors," "board of trustees," "council" and "commission."

2 In this guide, the term "director" refers to a person on the board. Other terms for this role include "governor," "trustee," "councillor" and "commissioner."

3 For more information on fiduciary duty, see the CPA Canada publication *20 Questions Directors of Not-for-Profit Organizations Should Ask About Fiduciary Duty*.

4 In this guide, the term "executive director" refers to the most senior member of paid staff who is responsible for the operations of the organization and reports to the board. Other terms for this role include "chief executive officer," "dean," "general manager" and "president" (although the title of "president" is sometimes reserved for a director by legislation).

in place adequate succession plans for senior staff. As stewards of the organization's assets, directors also review and approve major decisions on funding, programs, activities, expenditures and other significant areas. By putting an effective system in place, the directors can ensure that they, collectively, have the appropriate knowledge, skills and experience to fulfill these responsibilities.

This briefing explores how to build an effective board in four areas:

1. recruiting directors based on a consideration of values, competency, behaviours and diversity
2. orienting and developing directors
3. assessing the performance of the board, board committees and individual directors
4. regularly renewing the composition of directors on the board⁵

Since not-for-profit organizations vary in size, complexity and risk, no “right way” exists to build an effective board. This publication sets out some well-established principles and practices that directors can adapt to suit their organizations' needs and circumstances.

5 For more information on director recruitment and governance assessment, see the CPA Canada publications *20 Questions Directors Should Ask about Building and Sustaining an Effective Board* and *20 Questions Directors Should Ask About Governance Assessments*.

Recruiting Directors

Finding the right people to serve as directors is usually the responsibility of the nominating and governance committee⁶ (the Committee), where one exists. It otherwise falls to the whole board. The Committee recommends new directors to the board for approval. The board, in turn, proposes candidates for election by members.⁷ This guide assumes that a nominating and governance committee leads the process.

A successful director recruiting process results in qualified individuals, free from material conflicts of interest,⁸ joining the board. They express a strong commitment to serve, oversee and advance the organization. The process achieves a smooth succession of directors (including board and committee leaders) that balances new ideas and energy with experience and institutional memory.

Preparing for the recruitment process

Before starting a director search, the nominating and governance committee needs to prepare. Elements that the Committee may consider include:

- Legal requirements for electing or appointing directors
- Current board composition, including the knowledge, skills and experience of incumbent directors
- Roles and responsibilities of the board and its committees
- Diversity of the board compared to that of the communities that the organization serves

6 In this guide, the term “nominating and governance committee” refers to any committee responsible for selecting or nominating candidates for election or appointment to a board of directors; and the governance planning responsibilities of the board, including director orientation, education, assessment and renewal.

7 Some governmental, political or other organizations appoint ex-officio directors, in whole or in part.

8 Directors do not need to be free of all conflicts of interest (although the rules for charities are more stringent), but conflicts of interest need to be managed by the board through following an appropriate policy. All not-for-profit organizations should have a robust board conflict of interest policy so that perceived and actual conflicts are disclosed and managed appropriately.

- Position descriptions for board roles
- Specific personal qualities required by the directors and those in leadership positions such as board and committee chairs.

1. What legal requirements exist for electing or appointing directors?

The legislation used to create the organization and its constating documents typically set-out the requirements regarding the powers, composition and selection of the board of directors. Reviewing these documents to understand the parameters for recruiting directors is a key early step for the nominating and governance committee.

An organization's constating documents can include:

- The organization's incorporating document
- Constitution
- By-laws

The organization's constating documents generally prescribe:

- The size of the board
- The tenure of directors and other requirements, such as geographical representation
- If directors are appointed, elected and *ex-officio* positions, if any.

An *ex-officio* appointment is one where a director serves on a board by virtue of holding a position, such as the president of another specific organization.

Two primary methods exist for selecting directors: appointment and election. They may be used individually or in combination.

Appointments can be made by government to boards of self-regulating organizations whose activities affect the public interest, such as lawyers, accountants and schoolteachers, or by government-controlled funding agencies. In other cases, certain members of an NFP organization, such as a sister organization, may have the right to appoint directors. In addition, the board may appoint certain directors to fill vacancies if the organization's articles permit it, or if permitted under legislation such as the *Canada Not-for-profit Corporations Act*.

Elections may be held by the members of an organization, the public (e.g., school boards), or a designated constituency (e.g., condominium residents).

A call for nominations or a slate of candidates presented by the nomination and governance committee, or a combination of both, may be used to identify candidates for election (or appointment).

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

While there is no one size that is right for every board, having a board that is the correct size for the organization contributes to the board's success. A board needs enough directors to perform its responsibilities, including committee work, and to provide diverse views and experience. Boards with too few directors may also find it challenging to achieve a quorum.⁹ This needs to be balanced against a board that is too large, as smaller ones tend to be more effective because involving everyone in discussions and debates, required for sound decision-making, becomes more challenging with more directors. In addition, holding individual directors accountable for performance can become more difficult with a large board. As a result, in general, boards have been decreasing in size. Smaller boards, however, makes selecting, developing and refreshing directors more important.

When considering board composition, nominating and governance committees should consider what relationships may exist between directors and the organization and whether the board has enough independent directors.

Potential directors could include current fundraisers, major donors, volunteers or clients. These existing relationships may not preclude these individuals from serving (effectively) or impact the independence of the board, as a whole. They may, however, create the potential for undue influence by a stakeholder group or a conflict of interest that could compromise the board's independent judgement. Perception, alone, of partiality can damage the organization's reputation in the eyes of its stakeholders, even when none exists.

⁹ Quorum is the minimum number of directors required by the constating documents of an organization to hold a valid directors' meeting.

Independent directors, often called “directors at large,”¹⁰ enhance the real and perceived impartiality of the board because they have no ties to the organization, its staff or other stakeholders. They may, in addition, bring special skills and perspectives to the table. Increasingly, NFP organizations try to recruit more independent directors to ensure independent oversight.¹¹

Legislation or constating documents may require a not-for-profit organization to designate some directors as officers with defined responsibilities, such as chair, president, vice-president, treasurer or secretary. Members may appoint or elect these officers as part of the director selection process, or the directors may elect some or all of the officers from their own ranks. On working or “hands-on” boards, directors who serve as officers may have operational duties. Non-officer, non-operational or independent directors should oversee these activities and officers.

3. How should the board and board committees be structured?

Clearly delineating how the board and executive director allocate responsibility and how the board involves itself in operational activities, in addition to its primary oversight role, ensures no gaps, overlapping responsibilities or conflicts arise. How a board and staff divide responsibilities depends on the size and complexity of the organization and the competencies and other attributes of directors, the executive director and other staff. For example, in smaller organizations or those with inexperienced staff, directors may have a more “hands-on” role and involve themselves more actively in operations because staff and volunteers need their skills and experience. In organizations with experienced staff that have more capabilities and resources, the board will primarily oversee operations and activities. As the organization matures, the roles of senior staff and the board will evolve.

10 “Director at large” is also sometimes used to refer to a director who does not hold a specific office or portfolio on the board (such as chair of the board or of a committee).

11 Organizations should consider recruiting some independent directors. Directors of an organization may be regarded as “independent” if they have no relationship with the organization that could give rise to the objective perception that the directors cannot act with a view to the best interests of the organization, rather than in their own interests or those of a particular stakeholder. These directors may provide a fresh set of eyes, especially as the board matures from a working board to a governance board.

Common practice has developed where boards adopt “board guidelines” or a “board mandate” and “committee charters” or “committee terms of reference”. These documents set-out in writing the purpose, composition, powers, responsibilities, resources and limitations of the board and committees. Committee charters also discuss reporting obligations.

In addition, developing position descriptions for the board chair, committee chairs, individual directors and the executive director help ensure the people holding these positions understand the conduct and the contribution expected of them. (The board should include the executive director’s position description in his/her employment contract.) Clear role descriptions also help recruiting efforts and evaluating the individuals holding the positions.

Board Committees

A board may delegate certain responsibility for specific governance areas to a committee where a second level of review and recommendation would be beneficial. Ad hoc committees may also be formed to deal with a specific issue on a temporary basis. Committees perform best when members’ skill sets align with the responsibilities of the committee. Because committees ease the workload on the full board, this structure may also attract prospective directors. When possible, delegating certain functions to a committee is the better option.

It is important to note that not all board responsibilities can be delegated. Commonly delegated responsibilities include:

- Oversight of audits, finance or investments
- Executive director and senior staff recruitment, compensation and succession
- Nominating directors.

The full board should approve decisions related to these important functions after considering the recommendations of the responsible committee. Committees can only make decisions in limited, well-defined circumstances.

To fulfill the collective board’s oversight obligations, non-committee member directors need comfort about the review and recommendation function carried out by each committee. Committees can write concise reports for inclusion in board packages and then the committee chair

can brief the board at the meeting and answer questions from non-committee directors. This process can provide the needed assurance to the full board that the committee has carried out its responsibilities.

The nominating and governance committee can recommend to the full board the number and types of board committees needed. By reviewing the board committee structure every few years, the Committee can ensure it aligns with the board's governance needs and can avoid having too many or too few committees, or an ad hoc committee that has fulfilled its mandate.

4. What director competencies does the board need?

“Director competency” is defined as a collection of skills, knowledge, experience, education and training that can be assessed, contributes to the director's effectiveness, and is strengthened by ongoing training and development. An effective board relies on its directors' diverse competencies to make informed decisions. The competencies a director possesses may also assist staff if they lack them.

“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 a large, urban community not-for-profit organization*

The dynamic nature of organizations as they start up, grow, mature and sometimes decline and fail influences what competencies the board needs. The composition of the board should support the state of the organization and its future direction.¹² Typically boards benefit from directors with industry or sector experience in which the organization operates (e.g., education, health care, community development), and directors with expertise in specific functional areas such as accounting, community relations and fundraising.

¹² For more information on this topic, see the CPA Canada publication *20 Questions Directors Should Ask about Building a Board*.

The nominating and governance committee needs to identify the competencies that the board requires. While it should seek the executive director's view, the executive director should not unduly influence recruitment or selection of the board and committee chairs and other committee members.

With an understanding of the needed competencies, the Committee can then create a competency matrix which involves comparing the skills and experience of current directors to each competency needed by the board. This process will identify gaps that the board must fill. The Committee can then review prospective directors through the lens of filling these gaps to help recruit the right director(s) and improve the balance of the board. Regularly updating the matrix ensures that it aligns with the evolving strategic and oversight needs of the organization. For an example of a competency matrix, see Appendix 1.

The Committee may also consider the need for leadership talent to chair or lead or serve on committees or fulfill certain areas of responsibilities if committees do not exist. Leadership development and succession is addressed in Question 12.

In practice, many organizations have difficulty identifying and recruiting the ideal board candidates prescribed by the matrix. For example, some new directors may lack sector knowledge while donors or volunteers who join the board may have in-depth knowledge and passion about the organization, but need mentoring and development to fulfill their governance and fiduciary responsibilities. By recognizing the board's knowledge and skills gaps, the board can remedy them using internal resources or consulting outside experts when necessary. The Committee may consider having prospective directors initially serve as non-director committee

“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 it 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.*

members or establish a plan to rotate directors among committees to increase their knowledge of the organization and maintain their commitment. Director orientation and education are addressed in Question 12.

Given the variety of issues that NFP organizations address and bring to the board, no one director, nor a small group of directors, can have all of the needed knowledge. By building a board based on the collective director competencies, the board will have the broad expertise needed to oversee and direct the organization.

5. What personal values and behaviours does the board need in its directors?

Effective NFP organizations usually have explicit, well-defined values that drive their vision and mission. Reviewing and approving them every two to three years along with the vision and mission, common board practice, ensures that they remain current.

Nominating and governance committees often conduct a “values screen” early in the recruitment process to assess whether the values of the organization and prospective directors, as evidenced by their past and present behaviour, align. The Committee may ask prospective directors about their understanding of and support for the mission of the organization, how it aligns with their own values and interests, and their comfort with the organization’s governance culture, model and style.

For not-for-profit organizations, values of good directors include:

- A commitment to the organization’s values and mission
- Objectivity and independent-mindedness
- Integrity
- Courage (to ask tough questions and express dissent)
- Informed judgment
- Respect.

How directors behave is equally important as their values and competencies, for optimal board dynamics. “Director behaviour” refers to the way directors act and conduct themselves, particularly toward other directors, and staff. Director behaviour includes characteristics and attributes that can be assessed and that contribute to director effectiveness. A behaviour may be inherent to the director, but self-awareness, mentoring and motivation may strengthen it.

Important director behaviours for NFP organizations may include:

- An ability to present opinions clearly, constructively and persuasively
- A willingness and ability to listen
- An ability to ask questions respectfully
- Flexibility (openness to new ideas and responsiveness to change)
- Accountability
- Conflict resolution skills
- Dependability.

Along with the values screen, the nominating and governance committee may develop a list of desired director behaviours, update them regularly and recommend them to the board for its consideration and approval.

6. What types of diversity should the board seek in its directors?

Diverse boards that reflect an organization's stakeholders mitigate group-think, ask more relevant questions, enhance decision making, and positively influence stakeholder approval and organizational performance. Directors should watch for unconscious biases¹³ toward homogeneity by only recruiting directors similar to incumbent ones.

Regulators, boards, members and other stakeholders understand the importance of diversified boards. For example:

- Quebec passed provincial legislation in 2006 requiring that boards of Quebec state-owned corporations and others have gender parity (i.e., 50 per cent women) within five years and that the “cultural identity of the board reflect various segments of Quebec society”.¹⁴
- Ontario passed an objective to have 40 per cent women on provincial boards and agencies by 2019.¹⁵
- Canada's Prime Minister Justin Trudeau established the first gender parity federal cabinet after his election in 2015.¹⁶

To improve director diversity, the nominating and governance committee can develop a board diversity matrix with numerical targets, or include diversity in a skills matrix. The chosen diversity criteria should reflect the

¹³ An unconscious bias is a subconscious assumption, attitude, belief or stereotype that is based on, or perpetuated by, narrow experience, information, knowledge, personal networks or social learning. One's personal network can often reveal if an unconscious bias exists.

¹⁴ <http://legisquebec.gouv.qc.ca/en/ShowDoc/cs/G-1.02>

¹⁵ <https://news.ontario.ca/opo/en/2016/06/ontario-sets-gender-diversity-targets.html>

¹⁶ www.cbc.ca/news/politics/canada-trudeau-liberal-government-cabinet-1.3304590

strategy, responsibilities and communities in which the organization operates. The Committee may consider updating the matrix periodically and recommending it to the board for its review and approval.

A board diversity matrix typically includes:

- Age
- Gender identity
- Cultural or ethnic identity (including Indigenous Peoples)
- Lesbian, gay, bisexual, transgender and intersex
- Visible minorities (or racialized)
- People with disabilities.

Importantly, boards that exhibit diversity leadership set the tone for a culture of inclusion, respect and tolerance. Boards should actively oversee diversity and inclusion in the organization's workplace, recognizing its size, scope and complexity.

More information on diversity criteria and unconscious bias can be found in Appendix 2.

7. What leadership skills and personal qualities do board and committee chairs need?

A competent chair, the single most important factor in board or committee effectiveness, needs the time and the skills to lead. The board chair position is particularly demanding because he/she also liaises with the executive director and key stakeholders of the organization. Key qualities of an effective board or committee chair include:

- A successful leadership track record
- Strong communication skills
- Strong interpersonal skills
- Strong facilitation and consensus-building skills
- Skills in coaching and providing constructive feedback, including managing underperformance.

The board usually gives the nominating and governance committee responsibility for developing a process for selecting, assessing, mentoring and, when necessary, replacing the chair. Question 12 addresses leadership development and succession.

8. How can the board identify and develop a pool of potential directors?

Identifying candidates who have the desired competencies, behaviours and diversity, the first step in the search process, can involve one or more of the following approaches and sources.

Members and Volunteers

Not-for-profit organizations with active memberships, volunteer programs and committee structures can encourage individuals who demonstrate the required values, competencies and commitment to put their names forward.

Contacts

Incumbent directors, senior staff, volunteers and members of the community that the NFP serves may know people who work in the field in which the organization operates (e.g., education, health, sports) or in occupations that give them other skills and knowledge (e.g., finance, law, fundraising) needed by the organization.

Referral Agencies and Online Sources

Several websites and organizations can provide names of individuals willing to serve as directors. These include volunteer agencies (e.g., Volunteer Vancouver, Volunteer Action Centre—Kitchener/Waterloo), specialized director matching services (e.g., Altruvest Charitable Services), and professional associations (e.g., accountants, lawyers). Director associations (e.g., Institute of Corporate Directors, The Directors College), and LinkedIn can also help broaden a talent pool by identifying prospective directors through online searches.

The not-for-profit sector infrequently uses professional recruiters although they may help in some cases.

Advertising

Some organizations advertise board positions and invite qualified candidates to apply. Examples include Public Appointments Secretariat (Ontario) or Governor in Council Appointments (Canada). Organizations can advertise through newspapers, social media or the organization's website.

Leadership Development

Some organizations develop their pipelines by offering temporary board committee membership or observer status to prospective directors. This process allows these individuals to become familiar with the organization and the expectations of directors and the board to assess their performance before offering them positions.

What to Avoid

The Committee should avoid drawing from a limited pool of candidates, such as only board and senior staff contacts. Pre-existing relationships may result in a more homogeneous board and deter questioning and challenging of the executive director and each other. This approach may also limit the pool of talent, diversity and experience available to the board.

9. How should the board recruit prospective directors?

After identifying the broadest possible candidate pool, the Committee must assess them and choose the right director. The following steps will assist with this evaluation process. Whether the Committee completes all steps will depend upon the organization's size, complexity and circumstances. These steps, nevertheless, offer ideas and options to consider.

Steps in the director recruitment process:

1. Create a longlist of interview candidates by comparing the desired competencies, behaviours and diversity with each prospective director's qualifications from their resume. Choose the ones with the most alignment.
2. Conduct high level character reference and background checks (see Question 10) and eliminate those who will not fit with the organization.
3. Conduct a first round of interviews and create a shortlist of possible directors.
4. Report the shortlist to the board and gather its feedback.
5. Conduct a second round of interviews with the board chair, chair of the nominating and governance committee and others, as determined by the Committee.
6. Conduct more extensive background checks.
7. Rank candidates and report to the board.
8. Gain board approval to make an offer to the two or three top-ranked candidates.

9. Conduct final interviews and background checks, and extend an offer to the highest ranked candidate.
10. Put candidate forward for election, if the individual accepts.
11. Keep the ranked shortlist for possible future director search.

Consider providing interview candidates with a confidential briefing, in advance. Information may include the director role description, service terms and expected time commitment, terms of liability insurance and indemnification, and background check requirements. Providing this information upfront, can help prepare new directors for the duties that they will assume. During the interview, allow time for the candidates to ask questions. Interviewers can gauge the candidate's interest based on the due diligence conducted, and the nature of the questions posed by the individual.

The Committee may also ask director candidates for a candidate profile and declaration (a type of application form), including identifying any potential conflicts of interest.

10. What types of references and background checks are appropriate?

Boards need to satisfy themselves that a prospective director shares the values of the organization, has the desired background and qualifications, and has no undisclosed conflicts of interest or reputational issues that could harm the organization, or put its resources and communities that it serves, at risk. The board needs this comfort to satisfy its fiduciary duties.

If people in the organization, trusted stakeholders or contacts know the potential director, they can provide character, credential and other validation. Out of an abundance of caution, though, and for fairness to those candidates without this personal connection, the Committee should undertake independent due diligence.

Early in the process, the Committee needs to conduct social media, conflict of interest, credit and due diligence reference checks to identify issues that would disqualify candidates. Additional background checks may include self disclosures, confirming university and professional credentials represented by the candidate and confirming that the individual has professional credentials in good standing (unless otherwise disclosed).

When an organization serves vulnerable or at-risk clients, or engages in risk-based services and programs, the board should require police checks. If the organization has this check in place for all volunteers, potential directors may accept it more easily.

Orienting and Developing Directors

Once the board has recruited directors, it must help them become effective and grow in their role.

11. How should the board orient and develop new directors to enhance their effectiveness?

Like employees and volunteers, directors benefit from an orientation process that introduces them to the organization and their role in it. They also benefit from continuing development that includes structured learning, experience and mentoring. The needs of the board, committees and individual directors will drive the nature and extent of ongoing learning.

The executive director and other staff can provide valuable information about the organization and the environment in which it operates. The primary source on governance or on information about the board, however, should be the board chair, governance committee, other experienced directors or an external subject matter expert, rather than staff.

Key Information for New Directors

Directors need to understand the organization's purposes, governance processes, strategic plan, revenue model (including revenue sources and expenses), compensation practices, financial management oversight, accounting standards, stakeholder accountability and regulatory developments. They also need to understand the challenges facing the organization in these and other areas and its strategy for risk, governance and management.

Orientation information for new directors may include:

- Board and committee responsibilities and work plans
- Board operations, dynamics and culture
- Strategic and operating plans
- Risk appetite framework
- Budgets, investments, financial statements and audits
- Code of conduct and policies on conflicts of interest, whistleblowing, confidentiality and communication
- All governance documents, including constating documents, guidelines and terms of reference, and board and committee minutes and meeting materials from the recent past.

Continuing Education

Structured learning can occur at regularly scheduled board and committee meetings through staff explanations and briefings, commentary by the board chair or committee chairs or presentations by external experts. Director education can also include visits to facilities operated by the organization and attending external conferences, seminars and formal director education certification programs such as those offered through the Institute of Corporate Directors or The Directors College. Directors may also find online learning portals a useful education tool.

Experience

Experience as a director, alone, can improve effectiveness. This type of education may include learning from board or committee chairs about how to lead, conduct effective meetings and create a culture of constructive challenge and support.

Mentoring

New directors can benefit from mentoring by high-performing directors during their first few years on the board. Mentoring also trains the mentees to become mentors in the future.

The board or the Committee may guide mentoring directors on their role and the types of advice and coaching they might provide. Mentoring directors can offer candid feedback to their mentees before, during or after board meetings on how they could contribute more effectively.

12. How should the board approach leadership development and succession planning?

Leading practice sees board and committee chairs regularly renewed (e.g., every two or three years). Part of the nominating and governance committee's terms of reference may include a responsibility for maintaining a succession plan for board and committee leadership and recommending it to the board for its approval.

The Committee may also take steps to ensure that prospective leaders receive adequate development and exposure to become chair-ready. Boards commonly have prospective leaders progress up the ladder of officer or other positions (such as from vice-chair to chair). This practice familiarizes these individuals with the position and helps hone their skills before assuming responsibility for leading the board.

Position descriptions for the board and committee chairs may require them to cooperate with the Committee's succession planning efforts. Chairs should not opine on their own tenure and their successors because an inherent conflict of interest exists. The board, in consultation with the board chair, usually decides who succeeds the nominating and governance committee chair.

Board Chair Succession

To avoid conflicts of interest, only directors who do not wish to become the next board chair should participate on the nominating and governance committee's discussions about board chair succession.

To identify candidates, the Committee may canvas each director, in confidence, for their views. The Committee may also ask the executive director, staff and other stakeholders but their views should not unduly influence decisions. This process usually results in identifying one prospective board chair. If it surfaces more than one candidate, the full board may discuss them *in camera* and select the new chair through a closed vote, without the candidates present.

In camera: a meeting or part of a meeting that takes place without management or other non-directors (and sometimes some directors, such as those with a conflict) present and covers information not recorded in the minutes.

For committee chair succession, the best practices outlined above also apply.

Typically, and considered common practice, the outgoing chair stands down from the board and the new chair assumes the role. If a compelling reason exists for the outgoing chair to remain on the board, consider limiting the time period. If the incoming chair needs mentoring from the outgoing chair, it can occur before the transition and, again, only for a limited time.

Governance Assessments: Benefits of a Formal Approach

Regular assessments of the board, its committees and individual directors help ingrain continuous improvement in these groups and improve the effectiveness of the board. Individual assessments can also inform whether a director continues to serve on the board. If the Committee receives summarized individual feedback, it helps them assess the director's contribution and whether or not the director should be re-nominated.

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

— *CEO of a national directors' association*

In practice, boards often address performance informally. For example, directors can use roundtable discussions at the end of board meetings to assess meeting effectiveness (see Appendix 3). Boards and committees may also assess and improve specific practices and procedures when problems arise or after receiving a suggestion for a better approach. Board and committee chairs may provide informal feedback and mentoring to encourage directors who contribute well and want to improve, or to address issues with under-contributing ones.

These approaches can succeed, particularly when the board commits to examining its own performance, directors are candid and receptive, and chairs provide effective feedback. Without these characteristics, though, these informal approaches raise the risk that directors may avoid constructively criticizing peers to preserve working relationships. These directors may still, however, provide this feedback to the nominating and governance committee which may consider it during the nomination process. The impacted directors may conclude that the Committee has created a secretive and punitive nomination process, or treats directors

unfairly because they did not receive the feedback directly and have a chance to change their behaviour. Clearly, this outcome could negatively impact board dynamics.

Increasingly, not-for-profit boards are adopting more explicit, accountable and transparent assessment processes because they want to improve their effectiveness at the board, committee and individual director level. These assessment processes set clear responsibilities and criteria for participating, reporting and following-up. All sectors now widely accept that they need such evaluations to provide effective feedback and to help sustained governance performance. The success of a formal approach, however, depends on the questions asked and the honest, thoughtful and balanced views of directors.

Preparing for Assessments

While directors may agree on the usefulness of assessments, reservations likely exist. To alleviate their concerns, before agreeing on the process, directors should have an opportunity to express their views and have their questions answered.

Common questions include:

- What and who will be assessed, and by whom?
- How will the confidentiality of comments be assured?
- How will reporting and feedback occur?
- What happens to a director considered under-contributing by his/her peers?
- Will the assessment be disclosed to members or other stakeholders, and if so, how?

To reduce anxiety, the board may start by only assessing the full board. Over time, the board can add committee assessments and individual director ones. Implementing assessments in a staggered manner allows directors to get comfortable evaluating their collective effectiveness before turning their attention to individual directors.

“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*

13. How should board, committee and director assessments occur?

Governance assessments usually involve three groups: the board, the nominating and governance committee, and individual directors. The Committee normally leads the process.

If no Committee exists, the whole board may act as the Committee. The board chair, however, should not lead the board assessment, administer questionnaires or interview directors as it raises a conflict of interest because the chair has the most influence on the board's effectiveness.

“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 who has served on some 30 boards*

Responsibilities of the Board

The board has responsibility for governance assessments, including:

- Approving the process
- Delegating responsibility to the nominating and governance committee
- Receiving reports on board and committee assessments
- Approving proposals for enhancing performance
- Monitoring progress on actions taken
- Reporting, as appropriate, to members and other stakeholders of the organization.

Responsibilities of Individual Directors

Directors provide honest, thoughtful and balanced information and opinions about the effectiveness of the board, its committees, chairs, their own performance and that of their fellow directors. They respond to feedback about their assessment results and identify and act on areas for improvement.

Responsibilities of the Nominating and Governance Committee

In leading the assessment process, the Committee oversees the design of the assessment process and questionnaires, conduct of interviews and follow-up. It also co-ordinates the analysis, reporting to the board of results, and performance feedback to individual directors and chairs.

Independent Governance Consultants

Boards should consider whether they prefer an internally administered process or an externally administered one. Disadvantages can exist with an internal process, especially where directors worry about harming working relationships, political or interpersonal agendas make them vulnerable or if the Committee lacks time, courage or resources.

Qualified governance consultants provide independent assistance, experience and support. They account to the Committee (or board) and can help set objective criteria, support the review process, provide feedback and recommend actions. Some consultants focus on providing services to smaller not-for-profit organizations.

The cost of hiring an external resource, however, may make this option impractical for cash-strapped organizations or organizations worried about how donors will react to this use of funds.

Conducting Assessments

Boards should consider whether their governance assessments reflect the legislation used to incorporate the organization, other applicable law and the good practice principles discussed below. Importantly, the practices adopted by a board should suit its size, organization and the nature of the board.

14. How should the board evaluate its effectiveness and that of its committees?

Assessing the effectiveness of the board and its committees helps the board confirm that it is fulfilling its responsibilities and that it has suitable decision-making processes in place. Criteria to consider in these assessments follow:

- Leadership, including the chair's contribution to effective board processes and the quality of committee work
- Procedures and resources, including agenda setting, work plans, and committee structures

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 organization*

- Quality of information flow among senior management, the board, committees and directors and the confidence level of directors that they receive all material information needed to make an informed decision
- Board dynamics, including director behaviours and mix of competencies
- Relationships among the board, the board chair, the executive director, other senior staff and stakeholders (e.g., funders, members, associated regional or national boards).

15. How should the board evaluate the contribution of individual directors and chairs?

Assessing individual directors determines how effectively each one contributes to achieving the board's mandate. Approaching it as an opportunity to learn and develop may reduce anxiety. Overall, directors should enjoy the process and find it informative.

Director assessment criteria may include:

- Fulfilling the position description requirements (e.g., attendance, preparing for meetings, participating in discussions, committee service)
- Contributing the expected competencies
- Nature of contribution
- Personal qualities and behaviours that contribute to board effectiveness (see Question 7).

Consider that directors volunteer their time and other relevant performance factors when customizing the evaluation.

If fundraising is an expected competency, the director assessment may evaluate it. The Committee should carefully consider this competency and other operational positions, though, within the context of the director's overall role and governance obligations.

To evaluate the effectiveness of chairs, the individual director criteria may be supplemented with an assessment of how the individual satisfies the chair position description and how the board or committee performs. Staff who directly report to chairs may

360-degree assessment: a process that solicits feedback regarding from a variety of points of view (subordinate, lateral, and supervisory).

also assess them. Committee members may express additional views about the chairs. This broader assessment circle is referred to as a 360-degree assessment.

Following Through on Assessments

Improving the board's effectiveness in a sustainable manner, the goal of the assessment process, requires feedback of the results and action on them. The Committee must consider and plan for the following:

- How to provide assessment results to directors, the board chair, and other stakeholders
- How to act on the results of board and committee assessments
- How to manage and safeguard assessment information.

“We go through the motions. We don't know what to do with it. We need to sit down as a board. You file your copy away and you don't look at it any more. The governance committee needs to look at each director, in a helpful way.... It's a missed opportunity.”

—*Director of a member association board*

16. How should assessment results be disclosed?

Individual Directors

Because sensitive data emerges from individual assessments, directors must have confidence that the data is compiled, interpreted and communicated confidentially.

“[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 organization's board*

In some cases, directors may receive their results in writing. They decide what action, if any, they will take on them. This approach, however, limits feedback, accountability and assurance of remedial action, the goal of individual assessments.

In other cases, and considered best practice, the board chair (together with a governance consultant if one has been hired) meets one-on-one with each director. They discuss the assessment results, identify opportunities for improvement and develop a plan to address them. These follow-up actions may include mentoring, education and reporting back about the steps taken. The chair of the nominating and governance committee generally meets with the board chair for these discussions. (The Committee chair position description or another document may explicitly include this responsibility in order to inform directors and other stakeholders how it occurs.)

“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 organization's board*

Committees and the Board

The full board and each committee receives and discusses their respective results. Committees will also report their results to the board. Staff, as appropriate, can also see them and any ensuing recommendations.

The board can share with stakeholders general information about the board assessment process, including follow-up procedures, to help explain its governance regime. Normally individual results are not shared.

17. How should a board act on the assessment results?

Board and Committee Assessments

The board evaluation results give the nominating and governance committee insight into how well the board, as a whole, functions. Issues uncovered may include:

- Lack of clarity around roles, mandates and accountabilities
- Undue influence of, or reliance on, a person or stakeholder

- Strategic or mission disconnect
- Inadequately developed or enforced policies and procedures.

Once the board (or committee) discusses the assessment results, the Committee can draft a plan to respond to the identified issues and areas of consensus for board approval. The Committee may also ensure that the board and committee chairs follow through on implementing the approved recommendations.

While potentially uncomfortable, boards need to address the identified issues. Under leadership from the board and committee chairs, boards must act pragmatically and positively, prioritize development opportunities and avoid doing too much too quickly. If acted upon, the results can lead to positive improvement. Some boards have, in fact, completely reorganized their agendas and governance approach following a board evaluation.

Individual Director Assessments

Action must also be taken on individual director results. Chairs can reduce the risk of unpleasant conversations if they address performance problems as they arise, rather than waiting until a formal assessment.

Most directors accept constructive feedback and suggestions to improve. In some cases, directors may appreciate discussing why they are underperforming and exploring options for a developmental plan.

Some directors, however will not or cannot change their behaviour. In these cases, the chair may want to ask the director not to seek re-election, or to offer the director a face-saving solution, such as resigning or serving in another role (e.g., non-director committee member). If the director does not voluntarily resign, the nominating and governance committee may decide not to re-nominate that director for election. While leaving

“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*

ineffective directors in place may, on the surface, seem easier than removing them, it can lead to resentment from (and the potential departure of) contributing directors and a decline in board effectiveness.

Board Chairs

A peer director, such as the Committee chair, may discreetly counsel a board chair about how to improve their performance after reviewing the 360-degree evaluation feedback. If the Committee decides, in consultation with other committee chairs and directors, that a board chair cannot or will not improve, the chair of the nominating and governance committee (or another director) may ask the board chair to step down as chair or leave the board.

The terms of reference for the nominating and governance committee should explicitly state that it reviews the chair's performance and give the board the authority, after a recommendation by the Committee, to act on the results (see Question 12 for succession planning).

Renewing Directors

18. How should director renewal occur?

Regularly refreshing a board with new directors, a best practice, ensures the board has fresh perspectives, and helps keep the board current.

Incumbent directors, however, may not wish to resign from the board. Directors, for example, have remained on boards for 40 or more years. As a result, members and regulators are pressing boards to renew their compositions.

Implementing term limits is a governance practice that calls for directors and chairs to serve a maximum number of years after which he/she must resign. For example, directors could be eligible to serve for three terms of three years, to a maximum of nine years on the board. Many boards renew their directors via term limits (see Question 19) and several countries have moved toward mandatory term limits for for-profit company directors.

Good practice calls for renewal through director performance assessments which links tenure to performance, not time. This performance-based approach sets the right tone for staff as well.

As discussed in Question 17, when peer assessments identify an underperforming director or chair, this feedback must be acted upon. If the individual does not improve after the board offers him/her a chance to do so, the director may be asked to resign or not have their term renewed. These steps must occur or regulators and other stakeholders will continue to advance other mechanisms to stimulate board renewal and address excessively long tenure, such as term limits.

19. Should term limits be used to facilitate director renewal?

Director performance does not always decrease after serving for a long period of time, as noted above. The arbitrary nature of term limits may force a highly performing director, such as a board or committee chair to resign, although peer directors may view this director as more effective than a newer one.

A robust peer appraisal process that results in underperforming directors resigning from the board is superior to term limits.

Term limits, however, are becoming more mainstream because some boards have not adopted individual director assessments or insufficient director renewal occurs based on these assessments alone (see Question 18). In addition, a term limit may help with the Committee's recruitment plan because it knows when directors will rotate off the board, absent a performance issue or unexpected resignation, and what skills must be replaced. It may also help with director recruitment because the director knows the maximum service commitment.

If a board chooses to adopt a term limit, it may wish to retain some flexibility to extend a term. If it cannot replace a skill set immediately or to smooth director turnover if too many directors will leave in one year, it may be desirable to ask a director whose term has expired, to continue on the board for another year or two.

Disclosing Governance Practices

20. How should the board disclose the organization's governance practices to stakeholders?

Many organizations miss opportunities to transparently disclose their governance practices. Members, donors, regulators, creditors, employees and other stakeholders regularly review governance disclosures, including whether the board has adopted the best practices discussed in this briefing. They may infer negatively on the organization if it lacks expected disclosures.

Appropriate disclosure, while not costly, encourages not-for-profit organizations and their boards to properly document and address their governance practices. Telling stakeholders “who we are, what we value, and how we are governed” can generate goodwill, understanding and accountability. The board needs to reflect on the best level of transparency and disclosure for their organization.

Summary

The context under which not-for-profit boards make decisions about recruiting, developing, assessing and renewing directors varies over time. Boards govern in real time and their challenges change from year to year. Boards that perform well usually have committed and engaged directors and adopt sound board practices under the leadership of an effective chair. These boards operate confidently and commit to continually learning and improving.

Experience shows that successful boards develop through a deliberate process that includes recruiting and developing directors with the right combination of skills, experience, personal qualities and diversity. To achieve and maintain effectiveness, these boards also assess their own performance and that of their directors, chairs and committees, act on opportunities to improve, and report their governance practices to their stakeholders.

Directors on successful boards lead by example, setting the right tone at the top, and display to the organization the importance of being well governed. The principles and practices set out in this publication may help directors and boards of not-for-profit organizations achieve this high level of effectiveness.

Appendices

Appendix 1: Example—Director Competency Matrix¹

This sample director competency matrix, developed for not-for-profit organizations, uses numbers for incumbent and prospective directors. Names should be inserted when applying it to a particular board.

The nominating and governance committee (or equivalent) usually defines the competencies and the scales to measure them (for example 1–5 where one is none and five is expert) but the board reviews and approves them. Periodically, the Committee updates the competencies to reflect changes in the organization’s strategy, oversight responsibilities and circumstances.

A director’s continuing education plan may be based on this competency review and deadlines established for attaining certain competencies.

Area of Competency ²	Incumbent Directors					Prospective Directors		
	1	2	3	4	5	1	2	3
Core Board Knowledge, Skills and Experiences								
Enterprise Leadership								
Governance / Board								
Industry / Sector								
Financial								
Strategic / Value Creation / Growth								

¹ Adapted from BEAM™ Not-for-Profit Director Matrix Tool, © Richard Leblanc.

Area of Competency ²	Incumbent Directors				Prospective Directors			
Desired Knowledge, Skills and Experiences								
Accounting / Taxation / Audit								
Advocacy / Communications / Reputation								
Community Relations								
Development / Fundraising								
Government / Public Sector Relations								
HR / Compensation								
IT / Cyber / Privacy Management								
Legal / Regulatory								
Member Relations								
Operational / Organizational Activities								
Quality / Performance Management								
Real Estate / Property Management								
Resource / Project Management								
Risk / Controls / Compliance Management								

2 “Competency” has been defined as “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 Diversity, Inclusivity and Unconscious Bias

The following sample board diversity matrix may help the board recruit directors with a variety of skills, experience, and perspectives to foster a more inclusive decision-making process around the boardroom table. By tailoring the matrix to its needs, through identifying what skills, competencies or experiences best reflect their stakeholders, talent pool and circumstances related to achieving its mission (and, if appropriate, setting targets for them), the board may create a more representative discussion.

Board Diversity Matrix (Sample)	Director 1	Director 2	Director 3	Director 4	Director 5	Director 6	Director 7	Director 8	Director 9	Director 10	Director 11	Director 12	Total
Criteria 1—ex. Gender—Male	●	●		●	●	●		●		●	●		8
Criteria 2—ex. Gender—Female			●				●		●			●	4
Criteria 3—ex. Culture—Indigenous*		●									●		2
Criteria 4—ex. Identity—LGBTI*				●									1
Criteria 5—ex. Geography—Rural									●				1

- * **Indigenous Peoples in Canada**—In Canada, the term Indigenous peoples (or Aboriginal peoples - a term used in the Constitution Act 1982) refers to First Nations, Métis and Inuit peoples. These are the original inhabitants of the land that is now Canada.
- * **LGBTI**—The Government of Canada (2017) uses the LGBTI acronym for those who identify as lesbian, gay, bisexual, transgender and intersex (LGBTI). Additional identities or acronyms may include those who identify as transgender, transsexual, queer, questioning, two-spirited, or asexual or aromantic.

While designing a diversity matrix to support a more thoughtful recruitment approach, a board may also consider the impact of unconscious bias on its efforts.

An unconscious bias is a subconscious, implicit assumption, attitude, belief or stereotype based on, or perpetuated by, narrow experience, information, knowledge, personal networks or social learning. An inclusive director recruitment process benefits from being aware of potential unconscious biases toward homogeneity and only identifying potential directors who are similar to incumbent directors.

Examples of the most common types of unconscious bias include:

- **Groupthink**, where the positive emotional reinforcement of group cohesion and consensus causes self-censorship, suppresses disconfirming information and disagreement, and creates unanimity that is not real
- **Selective perception or observer-expectancy bias**, which occurs when one's negative preconceived view, assumption or stereotype distorts an objective perception
- **Self-censorship**, where someone does not speak up because of pressure, doubt or potential adverse consequence
- **Halo bias**, where one positive attribute of a similar person or circumstance leads to repeated positive affirmations, even in the face of adverse evidence

Techniques that boards may adopt to address unconscious biases in their decision-making processes include:

- **Avoiding generalization and emotive criteria or rationales**, such as “fit,” “feels right,” or “gut,” which are all red flags for unconscious bias
- **Relying on data** rather than assumptions or first impressions
- **Documenting explicit criteria and processes for decision making in advance** (e.g., for hiring, promoting, pay, termination) and justify decisions against them.

Appendix 3: Questions for Directors—Effectiveness of Board Meetings

The board chair can use the following questions during an *in-camera* session (i.e., with no staff or others present)¹⁷ following the board meeting. Directors could answer the questions in writing (anonymous is preferred), or the chair could go around the table and ask directors some or all of these questions.

1. **Does our board work constructively as a team** (i.e., through collegial, productive working relationships that foster trust and respect)?
2. **Do our board discussions enhance the quality of staff's decision making?** (e.g., by engaging staff in constructive sessions that stimulate and enhance their thinking and performance)?
3. **Does our chair ensure that board discussions do not get sidetracked from key issues** (e.g., by staff simply justifying their position or directors advancing their opinions based on their experiences)?

17 Adapted from BEAM™ Not-for-profit Board Performance Assessment, © Richard Leblanc.

4. **Are our boardroom discussions constructive** (i.e., directors disagree without being disagreeable, assumptions are constructively challenged, views are skillfully explored, differences of opinion are appropriately acknowledged and resolved, and consent is forged)?
5. **Do our directors communicate well** (i.e., by listening, respecting, acknowledging and building on the views and perspectives of colleagues)?
6. **Do our meeting arrangements enhance our board's effectiveness** (e.g., the board table is suitable, seating of individuals is appropriate, technology is used effectively, and distractions (devices, etc.) are minimized)?
7. **Do staff appropriately influence the setting of the board agenda** (e.g., the agenda reflects input from directors and is set by the chair in collaboration with the executive director)?
8. **Does our staff** (including the executive director) **appropriately influence meetings** (e.g., by not filtering or managing the flow of information to predetermine an outcome, by not providing independent data, or by not facilitating access to independent information)?
9. **Do directors understand how their role** (value-adding and oversight) **differs from the role of staff?**
10. **Are the written reports** (including recommendations) **from committee meetings effective** (i.e., meeting agendas and minutes are clear, accurate, consistent, timely and include appropriate detail)?
11. **Does our board react appropriately to staff in order to build the trust of staff to candidly present their concerns?**
12. **Does our board challenge staff constructively when appropriate?**
13. **Is the information received by our board appropriate given the decisions that we need to make** (i.e., the information facilitates informed enquiry and is concise, timely, material, accurate, easy to read, and in an appropriate format)?
14. **Does our board display confidence in our executive director?**
15. **Does our secretary** (or equivalent) **help us fulfill our responsibilities?**

Where to Find More Information

CPA Canada Publications on Governance
(available at www.cpacanada.ca/governance)

The Not-for-Profit Director Series

20 Questions Series

- *20 Questions Directors of Not-for-Profit Organizations Should Ask About Board Recruitment, Development and Assessment*
- *20 Questions Directors of Not-for-Profit Organizations Should Ask About CEO Succession*
- *20 Questions Directors of Not-for-Profit Organizations Should Ask About Fiduciary Duty*
- *20 Questions Directors of Not-for-Profit Organizations Should Ask About Human Resources*
- *20 Questions Directors of Not-for-Profit Organizations Should Ask About Mergers*
- *20 Questions Directors of Not-for-Profit Organizations Should Ask About Risk*
- *20 Questions Directors of Not-for-Profit Organizations Should Ask About Social Enterprise*

Board Briefings

- *Accountants on Board—A Guide to Becoming a Director of a Not-for-Profit Organization*
- *A Guide to Financial Statements of Not-for-Profit Organizations—Questions for Directors to Ask*

- *Board Oversight of Not-for-Profit Program Evaluation—Questions for Directors to Ask*
- *Board Oversight of Not-for-Profit Collaboration—Questions for Directors to Ask*
- *Governance for Not-for-Profit Organizations — Questions for Directors to Ask*

Board Bulletins

- *Advocacy and Political Activities—Questions for Directors to Ask*
- *Canada’s Anti-Spam Legislation (“CASL”): It’s the Law on July 1, 2014—Questions for Directors to Ask*
- *Cloud Computing for Not-for-Profit Organizations—Questions for Directors to Ask*
- *The New “Ineligible Individual” Provisions—Considerations for Directors of Registered Charities And Registered Canadian Amateur Athletic Associations*

Other References

- Bart, Chris, and McQueen, Gregory. 2013. *Why Women Make Better Directors*. Int. J. Business Governance and Ethics (8:1), pp. 93-99.
- BoardSource, *The Handbook of Nonprofit Governance* (San Francisco, CA: Jossey-Bass, 2010).
- Bourgeois, Donald J. *Charities and Not-for-Profit Administration and Governance Handbook* (in association with Canadian Centre for Philanthropy), 2nd Ed., 2009.
- Bugg, Grace, and Dallhoff, Sue, *National Study of Board Governance Practices in the Certified General Accountants of Ontario, Grassroots Governance: Governance and the Non-Profit Sector*. Certified General Accountants of Ontario, 2008.
- Charas, Solange. 2013. *Friends Don’t Let Friends Join Their Board*. Agenda—The Financial Times, London, UK.
- Huang, Sterling. 2013. *Zombie Boards: Tenure and Firm Performance*. Social Science Research Network. Rochester, NY.
- Jia, Ning. 2015. *Should Directors Have Term Limits? - Evidence from Corporate Innovation*. Social Science Research Network. Rochester, NY.
- Leblanc, Richard, ed., *The Handbook of Board Governance: A Comprehensive Guide for Public, Private, and Not-for-Profit Board Members* (San Francisco, CA: John Wiley, 2016).

- Leblanc, Richard. 2015b *Why Governance Evaluations Fail*. The Corporate Board, September/October 2015.
- Leblanc, Richard. 2015a. *Corporate Governance Trends, Pressures, and Responses*. Stewardship Review: Insights for the Boardroom Summer 2015, Conference Board of Canada. Toronto, Canada.
- Leblanc, Richard. 2013. Special Editor, *Editorial: Enhancing the effectiveness of the 21st century board of directors*. International Journal of Disclosure and Governance (10:2), pp. 93-97.
- Maulis, Ronald W., et al., *Do Independent Expert Directors Matter?* 2012. Munich Personal RePEc Archive.
- MSCI. 2015. *Women on Boards: Global Trends in Gender Diversity on Corporate Boards*. MCSI ESG Research Inc.
- Reinert, Regina M., Weigert, Florian, and Winnefeld, Christoph H. 2015. *Does Female Management Influence Firm Performance? Evidence From Luxembourg Banks*. Swiss Institute of Banking and Finance, Working Papers on Finance No. 2015/1.
- Wang, Cong, Xie, Fei, and Zhu, Min. 2015. *Industry Expertise of Independent Directors and Board Monitoring*. Journal of Financial and Quantitative Analysis (50:5), pp. 929-962.
- Wong, Simon C.Y. 2011. *Elevating Board Performance: The significance of director mindset, operating context, and other behavioural and functional considerations*. Northwestern University School of Law, Law and Economics Series, No. 11-12.

Websites

- Alliance for Nonprofit Management, Washington, DC www.allianceonline.org
- Altruvest Charitable Services www.altruvest.org
- Boardexpert.com www.boardexpert.com
- BoardSource. www.boardsource.org
- Canada Helps. www.canadahelps.org
- Canadian Society of Association Executives www.csae.com
- Charity Village www.charityvillage.ca
- CompassPoint Nonprofit Services www.compasspoint.org
- Imagine Canada www.imaginecanada.ca
- Volunteer Canada www.volunteercanada.ca

About the Author

Richard Leblanc, CMC, BSc, MBA, LLB, JD, LLM, PhD

Governance advisor, lawyer, author, public speaker, researcher

Dr. Richard Leblanc is one of Canada's leading experts on corporate governance and accountability. He is an award-winning teacher, researcher, lawyer, public speaker, consultant and specialist on boards of directors. He teaches at leading universities, including Harvard University. He received a teaching award as one of the top five university teachers in Ontario; was named to *Canadian Who's Who*, and is a past recipient of Canada's Top 40 Under 40™ award.

Dr. Leblanc brings to business and professional audiences a depth of information from his extensive research and work with over 200 organizations and boards; and from his interviewing, assessment and development of over 1,000 directors and managers.

Dr. Leblanc is Editor of the book, *The Handbook of Board Governance: A Comprehensive Guide for Public, Private, and Not-for-Profit Board Members*, which has sold over 5,500 copies; is Co-Author of the book, *Inside The Boardroom*, which has sold over 6,300 copies; and has edited or authored over 100 scholarly and practitioner articles, programs and reports.

Dr. Leblanc holds a Bachelor of Science degree, an MBA, Canadian and American law degrees, a Masters in Law, and a PhD focusing on board of director effectiveness.

He can be reached at rleblanc@boardexpert.com, on Twitter at @drrleblanc, or through his LinkedIn group, Boards and Advisors.



CPA

CHARTERED
PROFESSIONAL
ACCOUNTANTS
CANADA

277 WELLINGTON STREET WEST
TORONTO, ON CANADA M5V 3H2
T. 416 977.3222 F. 416 977.8585
WWW.CPACANADA.CA

ISBN-13: 978-1-5254-0316-3



9 781525 403163

7400020