

Assessing Governance in Not-for-Profit Organizations

BY DR. RICHARD LEBLANC, LL.M.

Associate Professor of Law, Corporate Governance and Ethics, York University
and

BETH DEAZELEY, LL.B.

Principal, Risk Oversight and Governance, Canadian Institute of Chartered Accountants

EVALUATION OF THE PERFORMANCE OF THE board of directors, its committees and individual directors is now commonplace among corporate boards, as most corporate directors recognize the important benefits assessment conveys in terms of accountability and improved performance. However, the practice is not as widespread among boards of not-for-profit organizations (NFPs). This may be due to the volunteer status of many NFP directors, the absence of regulations requiring board assessment for not-for-profits, or the fact that a significant number of NFPs do not have autonomous control of their board composition.

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Why Assessment Matters

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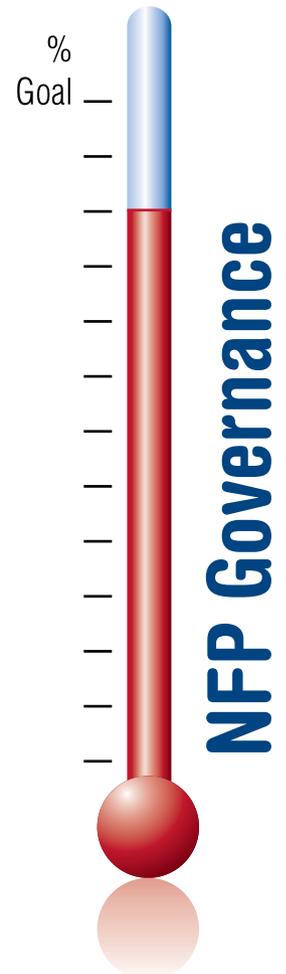
Not-for-profit entities such as hospitals, universities, charities, social service and other organizations play a significant role in Canadian society. NFPs must be trusted by their stakeholders both in the delivery of services to beneficiaries and in their stewardship of the organization’s assets, including donations. To earn and maintain this trust, they must be well governed by an effective board of directors.

Boards that demonstrate dedication to their own improvement enhance the reputation and credibility of their organizations by setting the right tone at

the top and by sending a message to the organization and its stakeholders that the board takes its responsibilities seriously and holds itself accountable for achieving them.

Many NFPs employ *ad hoc* mechanisms of assessing board, committee or director performance; for example, during discussions at board retreats, when considering directors for re-nomination, or in responding to specific problems. Directors may also receive informal feedback and mentoring from senior members of the board. These approaches can work well, but there are significant advantages to utilizing a more formal, accountable and transparent assessment process.

An excellent resource to help NFP boards implement a program of governance assessment is the document *20 Questions Directors of Not-for-Profit Organizations Should Ask about Board Recruitment, Development and Assessment* authored by Dr. Richard Leblanc and Hugh Lindsay for the CICA’s Risk Oversight and Governance Board. It highlights a number of areas that directors should address including samples of actual board assessment materials. Much of this article is based on that document.



Where to Begin

Having certain critical elements in place can help assure the success of the assessment process:

- **Written mandates for the board and committees and position descriptions for directors.** These documents define the scope of the contribution expected of directors and provide the benchmarks against which to assess performance.
- **Buy-in from the board.** Directors may have concerns and reservations and should have an opportunity to ask questions, express views, and receive assurance about the assessment process. In order to reduce anxiety, organizations may begin with a full board assessment before evaluating individual directors.
- **Agreement on the process.** The board should designate responsibility for the assessment (usually to the governance committee), approve the scope and nature of the assessment process and dedicate the appropriate resources to achieve a meaningful outcome.

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Roles and Responsibilities

The board has overall responsibility for governance assessments. This includes approving the process, delegating responsibility, receiving reports, approving proposals for enhancing performance, monitoring progress on action taken and reporting to the organization's members and other stakeholders.

The chair of the governance committee (or equivalent) should be responsible for leading the assessment process. The committee is responsible for the design and conduct of the assessment and for coordinating the analysis and reporting of the results to the board. The committee may delegate some or all of these tasks to a third party.

Board members participate in assessments by providing opinions on the effectiveness of the board and its committees, as well as commenting on their own performance and that of fellow directors. After the assessment, they respond to feedback on their

performance and identify and act on opportunities for improvement.

Types of Assessment

There are four main types of governance assessments, which may occur separately or in combination:

- **Board assessment** – The board assesses its own effectiveness against its mandate. This may also include assessment of the board's culture and operations.
- **Committee assessment** – Similar to board assessments but occurring at the committee level.
- **Assessment of the board chair and committee chairs** – Considers the effectiveness of the chair of the board and the chair of each committee against their position descriptions and other performance indicators.
- **Assessment of individual directors** – Assesses director performance against position descriptions and expectations. This may be accomplished by self-assessments, but more valuable insights may be gleaned from commentary by colleagues.

The principal techniques for collecting information are tailored questionnaires and interviews. They may be administered by the governance committee or externally facilitated. Where resources permit, an external governance expert can provide an assurance of independence in establishing criteria, gathering information, ensuring confidentiality, compiling data and providing feedback to the board.

Assessing the Board and Committees

The effectiveness of the board or a committee should be assessed and measured against its mandate to confirm that responsibilities are addressed and that its process is effective. Committee assessments evaluate the way in which committees review information and make recommendations to the full board. Committee assessments include considering the quality of discussions, information flow, agenda-setting and workplans, and the quality of reports and recommendations to the board.

Assessment of the effectiveness of the board as a whole also considers the quality of discussion, information flow and agenda-setting, but it further considers the board dynamics, committee structure, access to and

use of resources, the board's relationship with senior staff and oversight of stakeholder relationships.

Assessing Directors

The purpose of assessing individual directors is to determine how effectively each one contributes to achieving the board's mandate. Individual director assessments should consider:

- **Fulfillment of the requirements of director position descriptions** such as attendance, preparation for meetings, participation in discussions, committee service;
- **Contribution of the skills and experience for which they were selected** such as development/fundraising, community relations, project management, financial, legal; and
- **Personal qualities and behavioural skills that contribute to the effectiveness of the board**, including the ability to present opinions and ask questions, flexibility, sound judgment, conflict resolution skills.

Director evaluation should address the competencies and skills each director is expected to bring to the board and the applicable position description(s). However, this tailoring does not mean that the rigour with which directors are assessed varies depending on why they were brought onto the board. Directors' responsibilities are the same, regardless of how they are selected.

Assessment Follow-Through

The assessment process should go beyond surveys and interviews to strengthen board effectiveness by providing effective feedback, follow-up and disclosure.

Feedback from board and committee assessments is shared with and discussed by the full board and respective committees. Directors should be given a chance to comment on the results and recommend courses of action or priorities in acting on the assessment. The governance committee should summarize the discussion and draft a plan for addressing the issues identified.

In setting priorities and monitoring the actions taken, leadership by board and committee chairs is essential. Follow-up actions may include director education, mandate revisions, changes to board or

committee structure, and director rotation, retirement or recruitment.

An important objective of the assessment of individual directors is to provide them with feedback to help them improve their performance. The board chair may meet with individual directors to discuss the results of their assessment and how they can enhance their effectiveness. Follow-up action might include structured education sessions, time spent with senior staff to better understand the organization or mentoring by another board member.

Information regarding the board assessment and plans for follow-up should be disclosed in sufficient detail to staff and stakeholders to demonstrate that a rigorous governance assessment regime and follow-up procedures are in place.

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Conclusion

Director assessment and development on a not-for-profit board is highly contextual and should be seen as a journey. There is no arrival at a static point of perfection. Boards govern in real time and meet challenges that change from year to year. However, not-for-profit boards that perform their role well over time are usually committed to continuous learning and improvement. Directors on such boards lead by example by setting the right tone at the top and, by their commitment to board assessment, display the importance of good governance.

Dr. Richard Leblanc can be reached at (416) 767-6676 or rleblanc@yorku.ca

Beth Deazeley can be reached at (416) 204-3273 or beth.deazeley@cica.ca

CICA resources for not-for-profit organizations, including the document [20 Questions Directors of Not-for-Profit Organizations Should Ask about Board Recruitment, Development and Assessment](#), are available at www.cica.ca/npo