

## **Not-for-profit boards as good as their guidelines: York professor**

*Canadian Institute of Chartered Accountants publishes "20 Questions" boards should ask*

**TORONTO, March 15, 2010** – A not-for-profit organization should choose its board members with as much care as a well-run company, says the lead author of a new guide that offers advice on finding, training and evaluating directors.

"Not-for-profit organizations 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," says York University Professor Richard Leblanc. "Directors should be selected based on their skills and experience to ensure that the board can effectively oversee the organization."

The [guide](#), "20 Questions Directors of Not-For-Profit Organizations Should Ask about Board Recruitment, Development and Assessment," is available online from the Canadian Institute of Chartered Accountants (CICA). The CICA, through its Risk Oversight and Governance Board, commissioned Richard Leblanc, PhD and co-author Hugh Lindsay, CA to develop the guide as part of the CICA's commitment to supporting and enriching the work of boards of directors in the voluntary sector.

[Leblanc](#), associate professor of Law, Corporate Governance and Ethics in York's Faculty of Liberal Arts & Professional Studies, was given unprecedented access to the boardrooms of some of North America's most powerful companies and produced a groundbreaking study that led to significant changes in the governance guidelines for all Canadian public companies. Many not-for-profit boards are now where the boards of these publicly-traded companies were about four or five years ago, he says, in terms of board evaluations.

According to the new guide, one of the questions boards of not-for-profit organizations such as hospitals, universities or charities should be asking is: Do the board and its committees have mandates or charters? The responsibilities of boards and committees must be written down because they will help define which specific tasks are expected of a director: is he or she expected to help raise funds, for example, or chair a board committee?

The "20 Questions" guide also encourages boards to ask themselves questions such as: What skills and personal qualities should board and committee chairs have? How does the organization develop directors as effective board members (including orientation, learning opportunities and mentoring)? What should be evaluated when the effectiveness of the board and its committees is assessed? And how should under-performing directors or chairs be dealt with?"

Many not-for-profit boards don't assess how they are doing or fail to follow through on the results of a board assessment.

"But if a few directors or the chair are not performing, or are resisting change, and no evaluations are done, it perpetuates a bad board," says Leblanc.

Leblanc, together with CICA principal, Beth Deazeley, LLB are presenting a webinar on the guide on March 30, 2010, at 12:30-1:30 PM EST, put on by the CICA's Directors Source program. Everyone is welcome and there is no charge. To register for the webcast, visit [http://www.snwebcastcenter.com/event/?event\\_id=774 \(English\)](http://www.snwebcastcenter.com/event/?event_id=774) or [http://www.snwebcastcenter.com/event/?event\\_id=778 \(French\)](http://www.snwebcastcenter.com/event/?event_id=778).

The document is being issued by the CICA's Risk Oversight and Governance Board and can be downloaded at [www.rogb.ca](http://www.rogb.ca). It can also be found on a special CICA site dedicated to not-for-profit organizations ([www.cica.ca/npo](http://www.cica.ca/npo)).

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**The Canadian Institute of Chartered Accountants (CICA)**, together with the provincial, territorial and Bermuda Institutes/Ordre of Chartered

*Accountants, represents a membership of approximately 75,000 CAs and 12,000 students in Canada and Bermuda. The CICA conducts research into current business issues and supports the setting of accounting, auditing and assurance standards for business, not-for-profit organizations and government. It issues guidance on control and governance, publishes professional literature, develops continuing education programs and represents the CA profession nationally and internationally. CICA is a founding member of the International Federation of Accountants (IFAC) and the Global Accounting Alliance (GAA).*

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**Media contacts:**

Janice Walls, Media Relations, York University, 416 736 2100 x22101 / [wallsj@yorku.ca](mailto:wallsj@yorku.ca)  
Tobin Lambie, Manager, Media, CICA, 416 204 3228 / [tobin.lambie@cica.ca](mailto:tobin.lambie@cica.ca)

**US corporate governance reforms should follow Canada's lead: York U prof**  
*Canadian prof cited by US regulator believes rule proposals need to go further*

**TORONTO, July 13, 2009** – The United States remains one of the few Anglo-Saxon economies that does not adequately vet and review the directors of its public companies, despite a recent push for new rules, says a York University expert in corporate governance.

“It is a noticeable omission in these latest reforms and the lack of proper governance has cost the US dearly in the past,” said Richard Leblanc, a professor of Corporate Governance, Law and Ethics in York’s Faculty of Liberal Arts and Professional Studies in Toronto.

Leblanc’s call for skill and competency-based boards is cited in the Securities and Exchange Commission’s [proposed amendment to item 401](#), one of a large number of [proposed rule revisions](#) intended to improve the disclosure of corporate governance practices at public companies, including information about:

- The “experience, qualifications, attributes or skills that qualify a person to serve as a director of the company...”
- Company leadership structure.

#### **Director competencies and skills matrix**

While corporate Canada largely made the move to assessing directors based on competencies and skills in 2005 using the ‘comply or explain’ approach, U.S. regulators have to date shied away from such measures.

“Right now, you can be on a risk committee of a New York Stock Exchange-listed board and not be risk literate. You can be on a compensation committee and not be compensation literate. This would be difficult today in Canada,” Leblanc said.

US investment banks, for example, have been criticized for their lack of risk management and industry expertise at the board level. Some blame this lack of oversight, coupled with regulatory failure, as a leading cause of the global credit crisis.

Leblanc’s own research suggests directors often poorly understand risk management. A competencies and skills matrix would combat this lack of understanding by exposing areas – in addition to risk management – where a board lacks expertise.

#### **Separating the Roles of Board Chair and CEO**

“All else equal, separating both roles is a good idea,” Leblanc said, noting, however, that empirical evidence is mixed that an independent chair, *per se*, is good for shareholders, or makes the board more effective. “Just because you’re independent, doesn’t mean you’re effective,” Leblanc said. “In fact, a clever and autocratic CEO may push for a non-executive, non-effective chair.” The upcoming Walker review of UK bank boards is expected to call for responsibility-based chairs, Leblanc said.

In Canada, regulators have required listed companies to draw up position descriptions for independent board and committee chairs. Additionally, colleagues assess their fellow directors’ performance – including that of board and committee chairs, taking into account their position description – and boards act on those assessments in the selection and re-nomination process.

Leblanc believes public companies in the US need to start assessing individual directors, not just entire boards and committees.

“They now have an unprecedented opportunity, by spending political capital and seizing the will of the public, to make changes that could prevent a future financial collapse that is similar in scale to the current one. Why did the economic crisis happen? Because many at the helm – including the regulators – didn’t have the skills to see it coming,” he said.

Leblanc's detailed advice has helped shape the governance guidelines mandated for all Canadian public companies. His work has been looked to by other sectors, including hospitals, crown corporations, credit unions, co-operatives and not-for-profits.

His contribution to [\*Boardroom Realities – "Getting the Right Directors on Your Board"\*](#) – is edited by Jay Conger and published in March 2009 by Jossey-Bass. The book has received advance praise and "assembles the biggest names in the study of board governance as well as corporate board members themselves to address the critical questions that corporate boards face today."

Richard Leblanc (BSc, MBA (Toronto); JD (Detroit); LLB (Windsor); LLM, PhD (York)), is a Certified Management Consultant, Member of the Law Society of Upper Canada (ON) and the Roll of Solicitors (UK). His other research areas include business law, business policy, as well as general management.

Professor Leblanc can be reached for comment at (416) 767-6676 or [rleblanc@yorku.ca](mailto:rleblanc@yorku.ca).  
[www.yorku.ca/rleblanc](http://www.yorku.ca/rleblanc).

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**For further information, please contact:**

Killeen Kelly, Media Relations, York University, 416-736-2100 x22938 / [killeenk@yorku.ca](mailto:killeenk@yorku.ca)



## MEDIA RELEASE

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### York prof's exposé on corporate governance lands him on 'Canada's Top 40 Under 40' list

*Findings recently implemented by Ontario Securities Commission*

**Media Relations**

280 York Lanes  
4700 Keele St.  
Toronto ON  
Canada M3J 1P3  
Fax 416 736 5779

**TORONTO, May 3, 2005** – York University professor Richard Leblanc gained unprecedented access to the boardrooms of North America's most powerful companies -- research that has significantly influenced rules surrounding corporate governance and has landed him on 'Canada's Top 40 Under 40' list.

Leblanc's groundbreaking five-year study, also the subject of his newly-released book, draws from his first-hand observation of the inner workings of 21 boards of directors, and interviews with nearly 200 directors.

A professor of Corporate Governance, Law and Ethics in York's Atkinson Faculty of Liberal and Professional Studies, Leblanc's findings caused the Ontario Securities Commission to sit up and take notice. In April, they amended sections of their policy governing board selection based in part on his recommendations.

"Most of the recent prescriptions for improving corporate governance focus on the structure of boards – their size, composition and independence," Leblanc says. "TSX companies should now recruit directors based on their competencies and skills, paying attention to personality, and have position descriptions and assessments done in light of the competencies and skills that directors actually bring to the board."

Ontario Securities Commission Chair David A. Brown was among those who recommended Leblanc for the 'Top 40' distinction. "Professor Leblanc's detailed advice helped shape the governance guidelines that are soon to be mandated for all Canadian public companies," he wrote.

Says Leblanc, "It's important to do research that has real impact. York nurtures that link between theory and practice – they welcome and embrace it."

Atkinson Dean Rhonda Lenton says Leblanc's work is an outstanding example of these principles.

"The impact of Dr. Leblanc's research is already evident. His work is actually used by regulatory bodies and in the public and private sectors to affect change where corporate governance practices are concerned," Lenton says.

Leblanc's research has introduced a new classification scheme for identifying and selecting types of directors -- the '10 Cs' of director behaviour.

"When you have decision-making failure, the odds are you have directors who didn't have the best competencies and behaviours," says Leblanc. "Of the 10 Cs, the worst kind is the 'Controller-director,' be it a significant shareholder, a CEO or both."

Leblanc cites current experiences, such as the NYSE Grasso pay decision, involving former CEO Richard Grasso's \$140-million pay package, and the alleged operations of Conrad Black and the Hollinger board, which illustrate that structural independence may not necessarily result in effective corporate governance.

**Leblanc's 10 Cs of Director Behaviour**

### Functional director types:

1. **"Conductor-Chairs"** are superior chairs who relate very well to directors and management, have a keen interest in effective governance, possess remarkable leadership skills, and serve at the hub of all important board activity.
2. **"Change Agents"** act as catalysts for bringing about fundamental change (e.g., replacing the CEO, fighting a takeover, developing a new strategy). Retired CEOs of successful enterprises make excellent change agents.
3. **"Consensus-Builders"** act as conciliators, disarming and resolving conflict through interpersonal and communication skills. Former senior politicians make exceptional Consensus Builders.
4. **"Counsellors"** have strong persuasive skills, high credibility and the ability to work one-on-one with a variety of people. They are coaches, connectors, mentors and negotiators.
5. **"Challengers"** ask the tough questions – they know when to speak, what to say, and how to say it, and their questions cause managers to re-think key decisions. Lawyers, accountants, consultants and academics often make effective challengers.

### Dysfunctional director types:

6. **"Caretaker-Chairs"** are unable to run board meetings effectively, do not manage interpersonal conflict and dissent, and do not have effective working relationships with other directors, the CEO or the management team. They should be replaced if they cannot improve.
7. **"Controllers"** dominate board process through skill, tact, humour or anger. They are very dangerous, particularly when the board contains dysfunctional director types who cannot neutralize them.
8. **"Conformists"** are non-performing, cooperating directors who support the status quo and seldom prepare for, or take part in, any serious discussion. They are well-liked due to past success or relationships, and may be former CEOs, regulators or politicians who now have limited credibility.
9. **"Cheerleaders"** are enthusiastic amateurs who constantly praise directors, the CEO and the management team, but are unprepared for meetings, unaware of strategic issues facing the company, and often ask inane questions. At worst they are regarded with contempt and at best are referred to as "sleepers," "non-performers" or "ineffective."
10. **"Critics"** constantly criticize and complain, with an abrasive tone and ill-chosen words. They are referred to as "manipulative" and "sneaky" by fellow directors and lack the ability for "constructive dissent" possessed by Challengers or Change Agents.

Leblanc's book, *Inside the Boardroom: How Boards Really Work and the Coming Revolution in Corporate Governance* is co-authored with James Gillies, Professor Emeritus of Policy and founding Dean of York's Schulich School of Business. Published in May, 2005, it has received advance praise from both private and public sectors, including Harvard Business School and the Yale School of Management. Jay W. Lorsch, of Harvard Business School's Global Corporate Governance Initiative, called *Inside the Boardroom* a "must read" for all concerned with corporate governance."

Richard Leblanc (BSc, MBA (Toronto); JD (Detroit); LLB (Windsor); LLM (Osgoode); PhD (Schulich), is a Certified Management Consultant, Member of the Law Society of Upper Canada (ON) and the Law Society (UK). His other teaching areas include business law, business ethics

and policy, as well as general management. In addition, he provides advisory assistance to boards of directors and has advised directors, executives and academics from the US, UK, Australia, New Zealand, Europe, Russia and China. He has assessed the effectiveness of boards of directors, audit, compensation, risk management and nominating/governance committees, chairs of boards, chairs of board committees and Chief Executive Officers, together with offering recommendations for improvement.

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**For further information, please contact:**

Melissa Hughes, Media Relations, York University, 416-736-2100 x22097 / [mehughes@yorku.ca](mailto:mehughes@yorku.ca)