Intersections and Innovations

Change for Canada's Voluntary and Nonprofit Sector

The Muttart Foundation

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The Muttart Foundation

Acknowledgements

For far too long, Canada has lacked a comprehensive resource examining Canada's charitable sector. That has now ended.

The Muttart Foundation has spent many years focusing on building the capacity of charities in this country. The publication of this collection is another contribution to that effort. By understanding more about itself, the sector can continue to develop and find new ways to serve Canadians and those in need outside our nation.

The authors of these essays bring different perspectives on the role and inner workings of Canada's charities. Collectively, they bring an unprecedented insight into the work of organizations whose diversity is exceeded only by their desire to serve.

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The work of all of these individuals has come together in this resource which we dedicate to all of those in, or interested in, Canada's charitable sector.

Malcolm Burrows, President

Bob Wyatt, Executive Director

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Part II Navigating a Changing Environment

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The Funding Environment

The People Environment: Leaders, Employees, and Volunteers

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Governance and the Regulatory Environment

Chapter 8

Board Governance in Practice

Owen Charters
BGC Canada

"But, I thought you were the boss …"

My son, age six, discovered that I had a boss, even though we'd previously described – in simple terms – that as a charity CEO, I was the boss of the organization. This discovery came as we embarked on a family adventure to meet my board of directors at a social engagement, and after a caution to him from my wife and I that he had to be on his best behaviour for "daddy's boss."

There are probably few things more complicated to describe than the true role and function of a board of directors. If only things could all easily be explained in terms a six-year-old could understand. Alas, a board does sound simple in concept but is exceedingly complex in practice.

Unlike the private sector, the nonprofit sector is unique in that all formally incorporated organizations require a board: there are no sole proprietors in this sector. Thus, if you work for a charity or nonprofit, you ultimately report to a board in some manner – you cannot escape this fact. Yet board management is an often-overlooked facet of a nonprofit's function. An executive director (ED) or chief executive officer (CEO) entering the role for the first time is probably steeped in some critical function of a nonprofit's operations – fundraising, programs, finance, or marketing – but is likely a rookie when it comes to managing the affairs of the board.

Franca Gucciardi and Alan Broadbent (2017), in their book *You're It! Shared Wisdom for Successfully Leading Organizations from Both a Seasoned and a First-Time CEO,* write:

> Being the key link between the board and the management of the organization is a very different thing. Learning to do this well is a priority. Successful CEOs manage their board to help it serve the organization effectively. Less successful CEOs manage their board to minimize its impact. Failing CEOs allow their board to manage them.

The rookie ED or CEO must learn quickly and navigate an expansive area of management: managing a board is not the usual case of "managing up" and dealing with only one supervisor. It requires managing the complexity of a group of supervisors that can act only collectively. Group dynamics complicate the relationship, as does the fact that first, boards are not usually involved in the day-to-day business of the organization, and second, board members often do not understand their role intricately.

The real challenge of advising on board governance in the nonprofit sector is that there is such a wide variety of boards, and of organizations governed by them. The sector is large, vast, and extraordinarily differentiated. Nonprofit organization causes run the full gamut of left- to right-leaning missions, from faith-based to entirely secular. Budgets range from revenue of a few thousand dollars to hundreds of millions annually. Likewise, an organization's structure might be simple, with a "working board" responsible for all operations as volunteers (where staff are nonexistent), or complex, with thousands of employees.

The result is that the required skills and knowledge of board members can be equally varied – oversight of a large, complex, multimillion-dollar organization that deals with multiple powerful stakeholders (such as a hospital or university that has many revenue sources and complex relationships with governments, unions, and the community) requires board members with skill and expertise that can match the management and strategic challenges of the organization.

And yet, in a small organization, board members must be knowledgeable in a variety of responsibilities, including the due diligence of financial oversight and the rigours of reporting required by the Canada Revenue Agency (CRA), especially if the organization has charitable status.

There is no small role on a board: the responsibilities are significant and serious. For-profit public boards had their wake-up calls after the disaster of Enron and the financial meltdown of 2008. Public for-profit governance came under greater scrutiny – and became more rigorous as the Sarbanes-Oxley Act (also known as the Public Company Accounting Reform and Investor Protection Act) came into force in the United States. There is ever-greater scrutiny of public board decisions, board composition, and compensation.

In contrast, nonprofit boards may be treated as the diminutive cousin to the "grown-up" challenges of for-profit boards. In fact, many recruiters advise individuals who seek business board seats to get a start by serving on a few nonprofit boards before they move to a for-profit. And many executive directors and CEOs lament board members who seem to put aside all their well-earned business experience when they come to the nonprofit board table. And it can be worse: board members at nonprofits may in fact be asleep at the switch and unaware of their obligations – literally. I attended a nonprofit board teleconference where one director snored audibly throughout. It's time for a wake-up call.

This chapter explores the styles, trends, and issues of nonprofit boards with a view to encouraging both CEOs and boards to wake up and better manage their relationships.

Board Function as a Whole

"What would happen if you didn't have a board?" This is a question that Ruth Armstrong, a Toronto-based nonprofit governance consultant, often asks the EDs and CEOs that she works with. She asks this quite earnestly as part of her personal quest to understand the function of a board in a modern organization, but the question is also rhetorical: are boards really necessary?

To understand the role of a board, it is an interesting thought experiment to imagine an organization without one. An analysis of boards and how they function may be best approached from a similar perspective as Armstrong's question: determining a board's essential elements and functions by building up their functions from a blank slate of governance. From there, it is easier to build out and explore the additional duties that boards have often accumulated – whether a "policy board," a "generative" board, keepers of strategy, employer of the ED or CEO, or other role.

Why a Board?

The essential role of a board stems from a trustee relationship. Holding something "in trust" means taking responsibility for, or managing, an asset on someone else's behalf. Indeed, nonprofit boards are often called "boards of trustees" in the United Kingdom (CCEW, 2018) as they are entrusted with assets – mostly donations that are then to be used under the guidance of the trustees to accomplish the purpose agreed to by the donor. There is an explicit understanding: if you give a nonprofit money, the board has the responsibility to oversee the use of that money according to the explicit or implied understanding at the time of the donation as to how those funds will be used. Thus, the funds are held and spent in trust. A trust is a legal instrument, describing the relationship between the trustor (the donor) and the trustee.

The trustee, in the case of a nonprofit, is a public body – an organized non-share capital public corporation. The minimum required to establish and govern such an organization (in all statute law, whether provincial or federal) is three directors willing to sit jointly as a board of trustees.

This is all to say that the requirement for a board comes directly from the trustee relationship and responsibility that a nonprofit organization holds. To be responsible at law for the funds transferred to it to further its cause, an organization must have a board of at least three directors.

This is the essential requirement for a board, but a board does much more than govern the use of funds entrusted to it. In fact, boards have accumulated a number of responsibilities and duties that go well beyond simple fiscal trusteeship.

It should also be noted that an organization can exist just as a board, without staff or other individuals involved. At its essence, the board is entrusted with the heart and soul of an organization; should all else disappear, the organization can continue with only its board as the critical organ of decision-making and legal identity.

So, how is this chapter any different than anything else that has been written about boards? With apologies to Winston Churchill, it might be said of nonprofit governance, *Never in the course of nonprofit governance has so much been written, and yet read by so few.* Indeed, it seems that nonprofit governance is a constant challenge for many organizations, with great hand-wringing and consternation, yet the resources, advice, and guidance available for those who wish to take action and make governance better is a vast treasure trove.

I fear that attempting to improve on the resources available is somewhat futile, but there are a few perspectives and current challenges that are worth writing about. My approach is to look at two ends of the spectrum: the board of the small organization and that of the large organization. The differing challenges faced by each type of organization are a good basis for a discussion of the issues and trends of nonprofit governance today. The intent is that boards of any size will recognize the challenges and issues discussed.

If you are seeking basic, essential resources on how to manage a board, or on nonprofit governance in general, there are incredible resources available, as indicated in Appendix A.

The Small Organization Board

There are real risks in the small organization board. First of all, what is "small"? It could be a number of factors:

- an organization with a small staff, or no staff, or inexperienced staff;
- an organization with limited revenue; or
- an organization with limited experience – a start-up or founding board.

A small board has several characteristics:

- the board is likely made up of individuals who are deeply engaged in the organization and its mission but may not have the expertise or experience to govern all the functions of a nonprofit;
- due diligence is critical, but knowledge of what needs oversight and to what level of detail may be lacking; or
- conversely, some board members may be too engaged in the work of the organization, especially if the board was a working board and has subsequently acquired staff. The defining line between the work of management and the work of governing may be ill-defined as a result, and some board members may feel it is their right to delve into non-governing tasks.

Due Diligence and Legal Requirements of Governance

Beyond simple trusteeship, nonprofit boards have duties by legal statute and through an accumulation of common law decisions. These duties can often be performed quite perfunctorily, and it is sometimes surprising how little a board actually *must* do to perform its duties. It's therefore even more surprising that many boards, no matter how sophisticated, fail in several of their duties on a routine basis. These duties include:

- ensuring compliance with incorporating documents, primarily through the bylaws;
- meeting requirements of accreditations or membership agreements;

- overseeing regulatory compliance;
- overseeing required reporting (e.g. to governments, funders, and others);
- hiring and managing the ED or CEO;
- overseeing financial health and sustainability; and
- managing risk.

Small boards need to focus on these requirements, often more than larger organizations. Small or nonexistent staff teams may not have the expertise and experience to fully span the breadth of requirements, and small organizations have often failed due to lack of compliance on key issues, such as rigorous financial reporting or simple failure to file an annual (mandatory) CRA T3010 tax information return.

The challenge of recruiting board members for smaller organizations is not an easy one, and finding board members who have a depth of organizational expertise, especially individuals who have knowledge of the unique requirements of nonprofit management, can be like finding a proverbial needle in a haystack.

The Start-Up, Working, and Founder Board

While nonprofits with professional staff earn the bulk of revenue in the nonprofit sector, most organizations do not have professional staff; the board then plays a functional as well as a governance role. In these cases, board members "get their hands dirty" with the tasks required to run the organization: fundraising and grant-writing, program delivery, et cetera. In these cases, there is usually a very pragmatic approach to getting things done. Consequently, board meetings are usually about reporting on tasks and projects, and then agreeing on and assigning tasks to be completed by the next board meeting.

There is often a joy or satisfaction that comes from doing this work as a volunteer, being part of a self-organizing team and accomplishing the critical work that unites each board member in the cause. This connection to the cause can also become a barrier to the transition of the board as an organization grows and hires staff. Hiring professional staff means an immediate loss of connection between the board members and the direct impact of their work and decisions, and traversing this change is often fraught with challenges and difficulties. It can be a time when board members leave and new members are recruited, and it can create difficult interpersonal dynamics. "Founder's syndrome" can also play a significant role, as individuals that were there at the start stick around, sometimes moving from a semi-staff role to a board role.

The Founder and the Board

There is one exception to the model of an overly engaged board in a small organization: if the organization has a strong, entrepreneurial founder, there is often deferment by the board to the directions and whims of the founder. In this case, if the founder is especially strong-willed and charismatic (often the required skills of a social entrepreneur who takes a cause and turns it into an organization), the board may be complacent and not exercise enough due diligence in their governing role, thus allowing the founder extensive rein to do as they wish. And why not? After all, each member likely owes their role to the founder (who may have asked them to join the board) and is able to enjoy the successes of an organization that grows rapidly under the ambitions of the founding ED or CEO.

Like any start-up entrepreneur, it is doubtful that any other individual cares as passionately about or is as devoted to the cause as the founder, so it is difficult for professional staff to meet expectations, once staff is hired. With board members prone to deferring to the founder's knowledge and passion, there is often a challenging transition when founding boards move to hire staff. During these transition periods – which can span many years – it is important that the board have a mechanism that allows it to step back and consider whether it is helping or hindering the development of healthy relationships, and allowing the organization to flourish. This relies on a capacity to challenge assumptions and to question the doctrine that may reside from the power of a founder's vision.

The challenge of moving from a founder-led organization to hiring the first professional manager is often fraught with difficulty. The board may have very high expectations of the successor, assuming they will fill all the roles that the founder did with equal charisma and vigour. In addition, the board has to navigate its own transition as it becomes a more engaged governing board, and less of a working board. The growing pains of these transitions can be exceptionally difficult for founders' successors, and it is a unique professional who, as the incoming ED or CEO, can successfully guide a board through this phase of organizational life.

The Large Organization Board

In large, established organizations, the challenges are different. It is likely that routine due diligence, such as financial disclosure and reporting, is a task competently undertaken by management, so only verification of compliance may be necessary. This removes a critical oversight function from the board's general work and allows them to focus on other issues facing the organization.

Due diligence is usually a matter of course because staff make reports and ensure compliance, and so the risks at the governance level are usually more of maintaining engagement of directors: they need to feel connected and useful.

Finding the Line of Scrimmage: The Role of the Board versus the Role of Staff

With professional staff comes the challenge of attempting to define the "responsibilities of management" and the "responsibilities of the board." The defining line between what is a management versus a board responsibility can be tough to see clearly for those in the midst of trying to govern or manage. But, just like the blue and yellow superimposed lines during the broadcast of a football game that mark the line of scrimmage and the first-down line for viewers, the demarcation between the role of the board and the role of staff can often be relatively clear to external observers.

Forms of Governance: Policy, Generative, Strategic

In order to resolve the issues of who does what – and how far the board goes in playing a role in various types of oversight or supervision – models have been proposed that help to identify and contain board mandates. There is considerable debate about what models or forms of governance are appropriate – and whether each fulfils, or oversteps, the role of the board.

Policy Governance

The policy governance model, proposed by John Carver (1997) and often known as the "Carver model," requires a board to prescribe policy in 10 distinct areas and distinguishes clearly between management and governance roles (Hough et al., 2004). The Carver model covers a wide range of critical board roles, although it has been criticized for not encompassing all that is legally, or strategically, required. It has been designed to keep the board out of management issues, a philosophy some describe as "noses in, hands or fingers out," to indicate that curiosity is fine but interference in management issues is not.

One of the ideas within Carver's model is that a board should not have committees: anything that needs to be discussed should come to the board as a whole. This may not be practical, however, with the increasing complexity of issues that boards must consider in their due diligence, and the depth of discussions that must take place as a result. Depending on the board's size, and the frequency and duration of its meetings, overseeing all these elements in depth at the board table can be difficult.

Although this model's popularity has waned, Carver boards continue to be found across the nonprofit spectrum, usually modified from his strict model to accommodate the need to govern some functions in more depth than the model offers. While boards still often maintain that they are "policy" boards, what they mean by this should be actively defined. There is little to be taken at face value when a board declares to recruits that it is a policy board; rather, a new director needs to actively explore what this means and how the board operates.

Strategic Governance

It is commonly stated that "boards own strategy." The board being the highest level of authority in an organization, and strategy considered the most fundamental or highest-order of decision-making that guides all other decisions, strategy and boards seem to be aligned. Boards often meet infrequently, however, and individual board members may have experiences vastly different than the operating and competitive environment of most nonprofits. Thus, there is a significant knowledge gap that must be broached every time the board considers strategy. As a result, organizations have become more pragmatic about how strategy is developed: increasingly, boards validate strategy, but the strategy itself is crafted at the management level.

In fact, a strong executive team should spend its time crafting strategy and understanding how to compete and play in their specific subsector and revenue environment and how to move the needle on their mission outcomes. The board must be able to challenge and verify that the proposed strategies are robust and well-considered. The board also needs to have enough information to hold the organization accountable for the ongoing execution of the strategy or, perhaps even more importantly, signal when it may be time to change course if the strategy needs to be altered, or the current plan abandoned entirely.

Generative Governance

In their book *Governance as Leadership: Reframing the Work of Nonprofit Boards*, Chait, Ryan, and Taylor (2005) define board responsibilities as fiduciary, strategic, and generative. Generative governance attempts to fulfil the desire for board members to make meaningful contributions to board discussions – even though most board work is the dull requirements of fiduciary due diligence, with the occasional discussion of strategic oversight. Generative conversations at the board consist of creating alternatives to current directions, asking "wicked questions," and getting deep into issues.

These generative discussions get at questioning strategy, thinking of new areas for development, or exploring fundamental issues. Setting aside time at board meetings for this work, or bringing in expert speakers or facilitators to assist in exploring ideas, can be very rewarding for board members and can increase engagement at board meetings. Of course, it also requires more work and support from staff – and staff may need to be prepared for the unexpected directions that discussions may take. Including more generative work in board meetings is increasingly becoming a best practice on well-functioning boards.

Each of these models attempts to define board work, and each also responds to the demands of board members to contribute. Effective CEOs devote considerable time and energy to ensure that boards do the required work but also are engaged in the organization. The challenge can be that this often feels like "make work" projects, and can even lead to distractions as the board follows a new issue, and may direct management to pursue a project or issue that is not mission-critical. The idea of generative governance, in particular, was developed in response to the need of boards to feel engaged, but these discussions at the board table must be well-managed, and appropriately set up, for a valuable discussion to ensue.

Board engagement, in this case, refers to the fact that board members are contributing significant time to attending meetings, (hopefully) reading pre-circulated materials, and serving as ambassadors for the organization in the public eye and in social settings. They are personally invested in the organization, and each individual often feels the need to be contributing intellectually to the conversation at the board table. Fiscal oversight and fiduciary responsibility don't often lend themselves to this sort of creative engagement. Recruiting talented, successful, and influential board members leads to these individuals wanting to contribute as thought-leaders.

Selected Trends and Issues in Board Governance

There are robust, ongoing discussions about who should sit on boards and what their individual roles are. Are board members *reflective* or *representative*? Should they have responsibilities to fundraise? Is there appropriate diversity on the board? Are boards ready to take on the risks necessary for modern nonprofits or do they gravitate toward generic group-think?

Many of these issues relate directly to the recruitment of directors. Recruiting a board is one of the most difficult challenges of an organization, yet less time and attention is often paid to this task than to anything else. While there may be numerous discussions of what sort of board member is desired, for instance, in terms of qualifications, representation, and other qualities, finding the actual individuals who fit the bill is the harder and more intensive part of the work. Boards that discuss and decide how to approach many of the issues below will be better served in their recruitment efforts, as they can better target the individuals they require.

Reflective versus Representative

A *reflective* board, ideally, is made up of directors who individually do not represent specific constituents but must act while considering all the facets and issues that the stakeholders and members of the organization may bring to the table. In this respect, a reflective board is more like an impartial jury, selected not to bring bias or preconceived directions to the board table, but ready to consider, debate, and decide on issues on the basis of what is good for the majority of members or constituents, and in the best interest of the organization itself.

The concept of a reflective board is important, as it speaks to the capacity for a board to work at a higher level, not simply debating entrenched positions or delving into difficult political exchanges of views. In practice, however, it can sometimes be difficult to achieve a truly reflective board: individuals bring biases and personal experiences to the table, and all board directors could be subject to lobbying by members or stakeholders. Many boards aspire to work in a reflective manner, however, and frame board guidelines around this model.

Representative boards are often found where members have strong voices and play a significant role in directing governance. This can happen when there is a direct election of directors, as opposed to a slate that might be proposed by the board for election. In a representative board, each director feels responsible to fight for the issues or mandates of the constituents who brought them to the table. These boards can be highly political, and as a result, board meetings can be contentious. It can also be difficult for representative boards to delve into higher orders of strategic or generative discussions, as the political debates require intense focus on process and procedure to ensure all viewpoints are fairly heard and dispensed with appropriately.

Fundraising Boards

Some organizations have a mandated "give, get, or get off" role for board members. This typically happens in strong fundraising organizations where philanthropy is critical to revenue success. These boards demand not only that members give of their time, but that all contribute financially and assist in raising funds from their own networks.

The strength of this philosophy has seeped into the collective notion of the role of a board member in any charity, and donating and fundraising are often seen as virtual requirements of any nonprofit board. This is not necessarily the case, however, and every board should carefully reflect on what role board members should play in fundraising. Ultimately, board members are not responsible for fundraising, or even personal giving, but they are responsible for ensuring revenue is sufficient. They should care about the fundraising function and can assist, if not lead it themselves. An understanding of the organization's revenue strategy, including its fundraising plan, revenue diversification, and shortfalls therein, are very much critical board functions.

Diversity in Governance

Boards are increasingly concerned about whether they have the appropriate diversity to reflect the populations they serve. They may consider gender balance but may also increasingly examine whether they are able to represent the various stakeholders of the organization. Boards are seeking directors with lived experience in the mission of the organization (for instance, a social housing organization may seek individuals with experience being homeless). They may want to reflect the diverse racial, cultural, geographic, and linguistic backgrounds of their constituents. They may also seek various skills, such as legal, financial accounting, fundraising, and other critical skills necessary to the successful management of the organization.

Diversity must be approached cautiously, as token representation can backfire quickly or have no effect whatsoever except for the cosmetic appearance of diversity. There are some Indigenous individuals, for instance, who are repeatedly approached to fill board seats. These requests reflect organizations' desire to claim they have Indigenous representation; in doing so, they look to the few individuals already on boards. However, cultivating genuine relationships in various Indigenous communities is a longer, more engaging process. But it is one that will ultimately result in greater interest from these communities in the governance of the organization based on genuine interest and concern, not merely the desire of a board to recruit and fill a designated "Indigenous" spot.

Similarly, some boards seek members who can represent a youth voice. This is ultimately a tall order for a young board member who has to face older, experienced directors across the table and somehow speak knowledgeably and capably on behalf of the multitudes of Canadian youth.

Board diversity is a difficult issue, and boards are wise to consider why they want diversity – to what ends, and therefore, what means they will use in building or cultivating the diversity they desire.

Risk-Taking

Boards are notorious for not taking risks. I have witnessed several CEOs grumble after a board meeting that a great strategic idea was undone by the group-think of the board after a well-meaning director raised a minor concern. Because nonprofits often have few resources to dedicate to risky ventures, and often cannot afford to fail, boards often act with an "abundance of caution," and their due-diligence mindset can overtake any entrepreneurial notions.

While the board is responsible to mitigate undue risk, members should be prepared to encourage smart risks. Board members who are willing to spend the time and energy to review the details of riskier proposals are more likely to understand the projects put before them and to really evaluate the capacity for success. Boards that engage in more generative discussions may also feel more comfortable with the thinking and processes that have led to some of the riskier propositions they may encounter.

As organizations increasingly compete for scarce resources, competitive organizations will be those that can take on calculated risks effectively, including the pursuit of mergers (which are occurring more frequently in the nonprofit sector). They will need board members who are ready and willing to make the required investments to explore these new, riskier ideas as they come up – and, in fact, might be the ones who present them at the board table.

Nonprofit versus For-Profit Corporate Boards

As mentioned earlier, recruiters often advise those who hope to serve on a corporate board to first gain experience by joining a nonprofit board. This is both useful and detrimental. On the useful side, there are many nonprofit boards that are seeking good directors. However, nonprofit boards require experienced directors as much as any corporate board.

So what are the differences between nonprofit and corporate boards, and are there similarities and differences that might be valued?

Compensation and Professionalization

By statute, directors serve on nonprofit boards without remuneration. This does not prevent directors from claiming expenses or even receiving a per diem; however, most governance consultants discourage the latter. Because nonprofits are non-share capital corporations, and exist for a purpose other than profit-making, paying directors is an ethical quagmire. Jane Garthson (2011), a governance consultant, writes:

> … nonprofit board members should not be paid for board service. Instead, they should be giving their time to the cause. If the nonprofit is a charity, the intensity of feeling against such payments goes up – way up. Charity directors are expected to give both time and money, not be a drain on charity resources. Seeking such payments from a charity is perceived as highly unethical.

Still, there are advocates for director compensation, especially for larger organizations where competition for experienced and knowledgeable directors increases. In the UK, this debate was made very real, as the Charity Commission allows a handful of large charities to compensate directors (Ramrayka, 2012). This opens the door to the professionalization of directors.

Arguments for compensation focus on the demand for nonprofit directors to understand the intricacies of charity tax law, financial oversight of complex charities and social enterprises, and holding management accountable for achieving the organization's mission – a role that is complicated by the lack of common measurement tools and accounting standards in the sector. Indeed, directors at larger organizations may require training to fully understand their duties and responsibilities. The risks they take on also increase in scope and cannot be mitigated entirely by directors and officers (D&O) liability insurance. If the sector intends to continue to attract high-quality, experienced directors who will take on the risks and work required, the debate about compensation may be at a starting point.

Training and Education

The Institute of Corporate Directors (ICD) has created a program to educate nonprofit directors in their roles. In conversations with Don McCreesh, a governance consultant who sits on the executive committee of the ICD's Ontario chapter, he emphasized the usefulness of director training such as that provided by the ICD. However, he also laments the lack of accessibility: the program's cost, length, infrequency, and small class sizes are challenges when attempting to train the multitude of directors and aspiring directors in Canada. McCreesh envisions a simplified and summarized half- or full-day version of the program that's available in workshops across the country at a low cost.

There is definitely a need for greater training of directors in the nonprofit sector. Issues of reporting, accreditation, revenue strategy, and diversification all require increasingly sophisticated and specialized knowledge. The more training that is accessible and available, the stronger governance will become for the sector overall.

Incorporating Promising Practices from the For-Profit Sector

There are several for-profit practices that may be of use in the nonprofit sector but have yet to take hold. Despite the demands placed on nonprofits, and especially on charities, to disclose significant financial information through the T3010 tax return, there are other areas of disclosure that are either required or common practice at publicly traded companies that could be of benefit to nonprofits and their stakeholders. These practices were instituted to demonstrate accountability for good governance – effectively, to answer the question for investors that the board is indeed doing a good job and putting in the work required.

Board Diversity and Composition

Boards struggle continuously to recruit a diverse cohort of directors. They may also need to ensure representation of key stakeholders, from funders to members or "clients" (those served by the mission of the organization). Publicly traded boards often disclose the relevant skills and backgrounds of their board members and nominees, while nonprofit boards simply note the individual's name, professional affiliation, and place of residence. A biography might be circulated in an election kit, but a full annual disclosure of board competencies and experience may prove to be a useful tool for governance accountability.

Board Education and Attendance

Board attendance and education is also a much-discussed topic. Board members need to understand the organization they serve, and also the functional topics they need to oversee, from financial risk to government relations and beyond. Again, filings in the private sector often disclose two key factors: how many board and committee meetings directors have attended, and if they have attended board education sessions.

Increasingly, organizations are adding agenda items to board meetings that are meant to educate the board, detailing a subject matter of interest or a review of critical risk-management issues and how to oversee them properly from the governing seat. Participation in board education sessions is also reported in annual filings.

Other Reporting and Disclosure Options

Instead of using the annual report as simply a cursory overview of the organization's great work and a thank-you to supporters, there are opportunities for nonprofits to use annual reporting as a way to demonstrate their focus on good governance and management. Board committees might report specifically on their work and key decisions made or recommended. The "management discussion and analysis" (MD&A), a common tool used in the for-profit sector's annual reporting, is a thorough overview of a company's financial situation and operations of the previous year and a forecast or preview of the upcoming year. Nonprofits, in contrast, provide a pithy report, perhaps from the chair and ED/CEO. Greater disclosure of what worked – and what did not – and more in-depth discussion of the organization's plans and anticipated challenges could provide more insight into the general complexities of nonprofits.

The People

In all boards, perhaps the most important factor for success or failure rests with the individual board members, as well as the CEO. This takes us into an exploration of the board member as an individual, and specifically the key roles of chair and the oversight of the CEO (as well as the support a CEO should provide to the board).

The Chair

The role of chair can be a difficult one to understand. The chair is not the boss: there is no single boss of an ED or CEO. In a *Harvard Business Review* article, Shekshnia (2018:105) notes that good chairs (of both nonprofit and for-profit boards) "understand that the board is the collective 'boss' of the CEO and that the task of the chair is to make sure the board provides the goals, resources, rules, and accountability the CEO needs."

Chairs are usually elected because of the respect they have earned from their peers, often because they are persuasive and knowledgeable. Once in the chair role, however, they are expected to put aside their own capacity to influence opinions and become a facilitator more than an influencer. Strong interpersonal skills are a hallmark of effective chairs (Harrison et al., 2014). Their primary role is to ensure that board meetings run smoothly and that varying opinions are heard and explored properly at the board table. When using their own voice, they must recognize the significant impact, heft, and power that often comes with the position of chair. It is not a role to be taken lightly, as once a public statement is made by the chair, it is usually considered to be the de facto position of the organization.

When working with the CEO, a board chair must recognize that this relationship is more one of colleagues than as a boss to a subordinate. Only by authority of the entire board can the chair provide formal feedback or discipline or make any changes to the employment of the senior staff person. A strong chair works with the CEO to lead the organization forward. The best Canadian analogy would be that of the governor general to the prime minister: the chair fulfils the role of head of state and guides without necessarily leading, while the CEO handles the executive functions of the organization.

Accepting the responsibility of chair is not about prestige; it's about preparing for the hard work of balancing the facilitation and communication work with the board, and managing the relationship between the board and the ED or CEO.

The CEO as the Wizard of Oz

At the outset of this chapter, I noted that the challenge for rookie CEOs to understand their role in managing a board is perhaps one of their biggest unknowns. To conclude, we must acknowledge the very significant role that a CEO plays in making a board successful.

While CEOs are usually quick to be humble, declaring that they are not the most vital staff member or volunteer in the organization, much research into the actual functioning of CEOs confirms that it is the single-most important role in achieving the success (or failure) of an organization (Murray, 2006).

It also follows that good boards are usually backed by strong and competent executive leaders who know how to effectively report and be accountable to the board. They are skilled in recruiting and managing board members, and in staying on top of the issues related to governance.

A good board, then, is guided by a good CEO. Far be it from a board to "pay no attention to the man behind the curtain" (as the Wizard of Oz declared when he was discovered to be simply a powerless man managing the levers behind the scenes of his great, all-powerful charade). Rather, it is important to understand the dynamic between the CEO and the board (Cornforth & Macmillan 2016). Ultimately, the capacity of the CEO to manage the governance agenda, support the board and its committees, facilitate recruitment of new board members, and assist with other issues related to governance is far greater, and has greater influence on the success of the board, than the board's management of the CEO. Indeed, it makes a CEO a very capable wizard of board work from behind the curtain.

Managing the CEO

Of course, the fact that a good staff leader manages the board does not mean the board can divest itself of one its primary responsibilities: managing the ED or CEO. Unfortunately, too often the board's performance in key duties in this role – notably, hiring, performance management, and firing – are underwhelming. Boards seem to have become squeamish about these roles, partly because they often lack the direct experience with the CEO necessary to perform their tasks adequately. They are often hiring from a set of professionals who are not well known to them and come with a depth of expertise that is not the same as the director's own experiences. They may see the CEO only during board meetings, and so do not have a good sense of the CEO's day-to-day management skills, and thus are not ready to provide adequate feedback on a routine basis. And lastly, there is always squeamishness about deciding that the chief staff officer must go. This causes a great deal of commotion and chaos that the board is often unprepared to deal with. Unfortunately, as a result, there are some poorly performing CEOs in this sector who continue in their roles because boards simply pinch their noses and make do.

This is a situation that can and must be rectified. Managing the CEO, the board's sole employee, is a critical role of the board. One more promising practice that nonprofits are adapting from the private sector is the establishment of human resources and compensation committees, who dedicate their time to overseeing the essential professional management of the CEO, from evaluation to compensation and succession planning. If the HR and compensation committee can attract human resources professionals and seek advice that provides good comparisons and context for the nonprofit sector, these committees can be very valuable in ensuring that these vital duties are performed well.

Strengthening Governance

Ultimately, boards require care and watering, following guidelines and regulations carefully to ensure that the vital aspects of governance are in hand. The knowledge of board governance for anyone who reports to, or sits on, a board must begin with the essentials of due diligence and responsibilities. Once these are understood, the dynamics of board governance are an endlessly intriguing area of exploration. Board size, term limits, frequency and structure of meetings, approach to governance (policy, strategy, generative, et cetera) are dimensions of governance that can be endlessly refined, debated, and tested. There is no end to the myriad governance features and ideas that can be conceived of, piloted, and implemented.

As your research and knowledge of governance deepens, let it take you into wonderful new areas of exploration and understanding. And may all your board meetings end on time.

Meeting adjourned.

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Appendix A

Resources on Nonprofit Boards and Governance

A full discussion on governance could require several volumes. If you wish to dive deeper into the specific functioning of a nonprofit board, these resources are excellent:

Vic Murray's *Management of Nonprofit and Charitable Organizations in Canada* is an excellent resource, and specifically Chapter 3, "Managing the Governance Function," provides the essential roles of the board from four dimensions: the *what* being board roles and responsibilities, the *how* being board structure and operating procedures, the *who* being board composition, and the last being board culture and leadership.

There are also quite a number of freely available resources online, and these selected resources can assist anyone who is trying to build their knowledge of nonprofit governance:

- Muttart Foundation – board development workbooks: https://www.muttart.org/publications/board-development-workbooks/
- BoardSource – an American resource centre focused entirely on nonprofit governance. Some of the resources are free, while others are for purchase or require a membership: https://boardsource.org/
- Deloitte – *The Effective Not-for-Profit Board*: https://www2.deloitte.com/ca/en/pages/public-sector/articles/effective-not-for-profit-board.html
- Governing Good – a selection of articles and resources by Grant MacDonald, a retired professor: http://www.governinggood.ca/
- Simone Joyaux, an American nonprofit consultant, has several great articles on nonprofit governance topics: https://www.simonejoyaux.com/learning-center/free-download-library/board-development/

Biography

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Owen Charters, CEO of BGC Canada, is a nonprofit executive and scholar of two and a half decades. The former chair of Imagine Canada and the Human Resources Council on the Nonprofit and Voluntary Sector, and faculty for the Social Sector Leadership MBA program at York University's Schulich School of Business, he's interested in continuing to push for a stronger nonprofit sector voice in Canadian policy, as well as better working conditions for sector employees.