

June 24th, 2013

PGM Consulting & Training Services

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Wyevale, ON

**BOARD OF DIRECTORS
PLANNING DAY
EXPLORER'S EDGE**

WARM – UP EXERCISE:

- ① State your Full Name and the business or constituency of interest that you represent on this Board.
- ① What area of Board practice are you most interested in discussing or developing?
- ① What do you want most from being part of this Board of Directors?

Quotable Quotes:

- ① ***Effective governance determines organizational effectiveness. (Richard Ingram)***
- ② ***Organizations must develop the ability to predict and adapt to change as the current context is always changing. Boards play a major role in this regard. (Judy Kent)***

Governance Defined:

- ① ***The exercise of authority, direction setting and accountability that enables an organization to achieve its mission.***
- ② The governing body must establish the necessary structure and processes that enable it to meet this overarching requirement.
- ③ A framework of legal requirements also defines to some extent how a Board must function.

Framework:

- This includes the Corporations Act, the organization's Letters Patent, its Bylaws & Rules of Order.
- The Board must define & oversee the mechanisms necessary to ensure that it adheres to these legal requirements.
- It must also ensure that it is accountable to its various stakeholders. (funders, users, govt., membership)

Framework for Governance:

- Boards must be able to demonstrate that “due diligence.” is being taken consistently to ensure that these provisions are being complied with.
- It must also establish and understand its chosen model of governance. (policy board, Carver Model, operational, hybrid)

New Legislation Arriving:

- A specific Not for Profit Corporations Act will become fully in effect in Ontario in 2014.
- It will provide clearer rules for accountability and governance related to some of the material to be shared with you today.
- The new Act will allow for commercial activities to take place that support the NFP.
- The Act will also simplify audit requirements.
- Sets out rules for creation, dissolution, etc.

Role of Boards:

- Regardless of the governance model used, every not for profit Board is expected to:
 - 1) Develop/Approve Plans: that set the broad directions for the overall agency.
 - 2) Fulfill a Fiduciary Obligation: ensure that financial resources are in place and are being properly utilized.

Mandatory Requirements:

3. Fulfill a Stewardship Obligation:

Ensure that services as mandated are being adequately delivered to the intended client group or membership.

4. Oversee the Hiring and Performance of the CEO/Executive Director:

Selection and monitoring of the CEO/ED can only be managed by the Board of Directors.

5. Develop and Approve Policies: that guide the operation of the Board & the service.

Other Functions/Requirements:

6. Provide an Advocacy Function: when it is warranted. (with funders, the public, etc.)
 7. Fund Development: (not always necessary)
 8. Meet all Legal obligations specified in legislation, bylaws, governance policies, reporting requirements, etc.
- The Board must ensure that it manages effectively in terms of these obligations.

Rate the Board's Current Performance:

1. Planning Function
2. Fiduciary Obligation (monitoring)
3. Stewardship Obligation (monitoring)
4. Oversight & Supervision of the ED
5. Policy Development & Approval
6. Advocacy for the Cause
7. Fund Development
8. Legal Obligations

Research & Best Practices:

- ◎ Key indicators of NFP Board effectiveness are now quite well developed. They include:
 - a) Clarity of Vision (preferred future) and Purpose. (mandate) are present
 - b) Values and Principles are articulated.
 - c) Goals for the organization are in place.
 - d) Results are being monitored and done so in terms of results/outcomes.
 - e) Governance processes are well developed.
 - f) Strong Succession & Orientation Practices

Successful Boards Also:

- Have a solid understanding of their current reality & environment.
- Think strategically. (reason, challenge, express ideas from a longer term view.
- Ask compelling questions.
- Think of the ramifications of their decisions & check them relative to the mission and vision.
- Have strong processes i& norms in place & understand their role.

Components of Effective Board Orientation:

- Understanding of the governance role.
- Proper introduction to a financial statement.
- Understanding of the services provided.
- Freedom and opportunity to ask a wide range of questions.
- Understanding of the current and planned state of affairs.

Typical Challenges for Boards:

- Confusion or disagreement about the core role of the Board. Not feeling sure!
- Lack of understanding of the Board's accountability requirements.
- Inadequate succession planning & orientation methods.
- Operational bias vs. a governance and oversight orientation.

Typical Challenges:

- Short term view (urgency) vs. a strategic view (importance) in terms of their planning orientation.
- Not feeling sure about making a real difference or being of value.
- Uncertainty about the process of being an effective Board member.

Exercise Two Questions:

- Which of these Best Practices and resonates with you?
- What would you recommend as a result?
- What challenges noted do you potentially see in the Board's present approach?
- What can we do regarding any consistently identified areas in this regard?

Better Board Meetings:

1. Dealing with Ongoing Information:

- Issue committee or other reports in advance in the agenda package. Read them in advance.
- Don't waste time reviewing them at the Board meetings, unless a Board decision is required. Otherwise, they should not be on the agenda.

Better Meetings:

2. Reports:

- Issue in advance with expectation to read.
- Summarize the major points only. Discuss options and recommendations at the Board table. Make decisions.

3. Financial Statements:

- Learn to understand the key areas.
- Simplify the information and prioritize.
- Don't over focus on small items.

Stage the Agenda:

4) Prioritize time for the most important items.

- ⦿ Put the latter in the middle of the agenda.
- ⦿ Early items are “easy to deal with” (warm up) even if a few members are late.
- ⦿ Late items should not require too much brain power, as people are tired and want to leave.

Better Board Meetings:

- 5) Set policy limitations within which the CEO can freely operate. These areas do not need to be discussed at the Board table.
 - ⦿ Areas outside of pre-approved policy limitations must be reported on. (e.g. financial decisions over \$5.0. etc.)
 - ⦿ Concentrate on what you need to know.

Consider an Annual Self Evaluation:

- ④ Design your own questionnaire based on what your Board needs to know.
- ④ Assess it against the things you know about and agreed to in terms of practice.
- ④ Self evaluate at an individual level and respect the confidentiality of each member.
- ④ The answer scale must include a context for “don’t know” – as this is informative.

Board Development:

- It's about aligning the Board to the needs of the organization in terms of makeup (Right people in the right seats on the bus.)
- It is also about being well informed (knowledge) & understanding the role.
- It's about a trusting team and growth.
- It's about bringing greater value.
- It's about knowing how to get there and stay there.

Identification of Strategic Issues:

- ① What are the critical challenges affecting the Board or the organization at this time?
- ② What is fundamentally important to future success? (strengths as well as limitations)
- ③ What needs to happen & when?

Self Evaluation:

- Don't shoot for the moon. Focus on 3-4 elements only per year. (Attendance, timeliness, quality of discussion, orientation)
- Make incremental improvements as you move along. Take on other elements at the next review period.
- Commit to strengthen the Board based on what you are learning about its performance.

Best of Luck:

- Thanks for letting me be a part of your development as a Board of Directors of Explorer's Edge.

Board Sources:

- ① Ten Basis Responsibilities of Non-Profit Boards, Richard Ingram
- ② Consider This, A Resource for Boards of Directors, MCSS/MCYS, 2004
- ③ Board Cafe, Compass Point Not for Profit Services; www.compasspoint.org;
- ④ Board Development, Charity Channel, www.charitychannel.com;

Resources:

- Developing the Not Profit Board: Maureen Robinson, 1994.
- Boards Can Do Better: Thomas Savage
- The Non Profit Board Answer Book: Andinger Engstrem
- Boards that Make a Difference:
- United Way/Centraide Volunteer Leadership Development Program, Ottawa, 1992.