



## BOARD STRUCTURE AND BENCHMARKS

The Association Resource Centre's Not-For-Profit Pulse is a bi-monthly publication that shares the results of short online surveys of sector leaders on the topics, trends, issues and benchmarks that really matter in today's not-for-profit sector.

This edition of the Not-for-Profit Pulse seeks to paint a picture of nonprofit boards in Canada. Specifically, it looks at perceived effectiveness of board governance, best practices around board member recruitment and retention, and examines additional characteristics such as board size, governance style and common board policy areas.

*The sample for the survey on Board Structure comprises a total of 121 Canadian not-for-profit organizations with representation from industry/trade, professional, charity and special interest groups. It is important to note that the results of this survey reflect the responses from those surveyed only and are not necessarily representative of the entire Canadian not-for-profit sector.*

### Board Structure in the Canadian Nonprofit Sector

Effective board governance is critical to the success of nonprofit organizations. In many cases, effective board leadership can spell the difference between an organization that is just 'average' and one that is truly outstanding. The symptoms of a board that is not operating to its full potential are classic:

- **Micromanagement:** Directors are so busy focusing on the small details that they fail to see or make proactive decisions to deal with the big issues looming on the horizon.
- **Slow Decision-Making:** Coming to decisions is laborious and time-consuming and is often hampered by politics and/or personal agendas.
- **Stakeholder Disconnect:** There is a lack of connection between the board and its members or other key stakeholders. The board doesn't understand the needs of its constituents and the constituents, in turn, don't feel like they have any influence over the organization's agenda.
- **Lack of Direction:** The board is constantly jumping from one priority to the other. They spend a lot of time 'putting out fires' instead of creating and following a proactive strategy.

The results of a board that isn't operating at its full potential vary but can range from different stages of stakeholder apathy all the way to full blown organizational paralysis due to a lack in the board's ability to implement and follow effective decision-making processes.

The structure, policies and procedures of a board all play a key role in determining the extent to which nonprofits face any of the above challenges. 'Getting the right people on the bus' by selecting board members with appropriate skills and experience is also critical. The following highlight report examines various elements of nonprofit board structure as well as director recruitment practices and seeks to provide insight into the role these different factors play in influencing board effectiveness.

## NFP Pulse Survey Highlights

### How Do Canadian Boards Measure Up?

Are Canadian nonprofit boards truly effective? According to the participants in this survey, there is significant room to improve. When asked how effective they felt their board was in providing financial and strategic leadership to their organization on a seven-point scale, the average rating from all organizations was just 4.4, indicating they are typical not far from the starting block when it comes to creating and fostering a highly effective board.

While half of the survey participants provided ratings of 5 or 6, indicating they feel they are doing a lot of things right with regard to board effectiveness, very few participants (3%) awarded top marks. On the flip side, more than a quarter awarded a failing grade of 3 or less.

Looking at the different nonprofit types, none stand out as having particularly effective boards (on average). The highest ratings tended to come from those in charities.

### Does Board Structure Influence Board Effectiveness?

According to the results of this survey, the answer is yes...on some attributes. As is outlined in further detail below, the characteristics that had the most significant influence on board effectiveness in this survey included the board's governance style, size of the board, board policies and term limits.

**Governance Style:** At 35% and 32%, respectively, **a governance approach that includes either an advisory/strategic board or a combination of governance approaches (ranging from working board to policy and strategic in nature) are most common** among survey participants. Furthermore, **participants who feel their board is effective are more likely to employ a higher level governance approach.** In fact, 48% of the organizations that gave high ratings for board effectiveness have a board that adopts an advisory/strategic governance style compared to 19% among those with ineffective boards. In contrast, a significant 28% of participants who felt their boards were ineffective are governed by a working or operational-style board.

**Board Size:** **Half (50%) of the participant organizations have medium-sized boards with between 11-15 directors.** An additional one quarter (26%) of survey participants have small boards with 4-10 directors. Interestingly, small boards are more common in organizations where the participant rated the board as ineffective.

**Executive:** **The average size of Executive committees is between 4 and 5 members.** There was no major difference between effective and ineffective boards on this attribute.

**Term limits:** **Two years is the most common term limit for board members, enforced by 31% of the organizations in this survey. Three year term limits are almost as common, implemented by 26% of participants. A significant 28% do not implement term limits of any kind for their board,** a trend that is further exaggerated at executive board level (38% do not have limits on the executive). Interestingly, **effective boards are more likely to have three year term limits (33%) than ineffective boards (18%).** Two years is the most common term length for executive committee members in a single position (33%). This trend holds true for both effective and ineffective boards.

**Committees:** **The norm for half of those surveyed is to have between 4-9 committees supporting board activities.** There were no significant differences on this attribute between organizations with effective and ineffective boards.

NFP Board Benchmarks			
	Total	Board Effectiveness <sup>***</sup>	
		Low	High
<b>Governance Style</b>	<b>N=119</b>	<b>N=53</b>	<b>N=64</b>
Advisory/strategic board	35%	19%	48%
Operational or 'working' board	14%	28%	3%
Policy board	11%	13%	9%
Collective board	6%	4%	6%
Combination of any of the above	32%	32%	33%
Other	2%	4%	0%
<b>Board Size</b>	<b>N=121</b>	<b>N=55</b>	<b>N=64</b>
4 to 10	26%	33%	20%
11 to 15	50%	47%	52%
16 to 20	13%	11%	16%
21 to 30	11%	9%	13%
Average	13.6	13.7	14.1
<b>Executive Committee Size*</b>	<b>N=96</b>	<b>N=45</b>	<b>N=49</b>
Three	22%	20%	25%
Four	32%	33%	31%
Five	23%	29%	16%
Six	10%	9%	12%
7 to 9	13%	9%	16%
Average	4.7	4.6	4.8
<b>Board Term Limits</b>	<b>N=120</b>	<b>N=55</b>	<b>N=63</b>
No official term appointments	28%	31%	24%
1 year	6%	6%	6%
2 years	31%	35%	29%
3 years	26%	18%	33%
4 years	3%	2%	5%
5 or more years	6%	9%	3%
No official term appointments	28%	31%	24%
<b>Consecutive Board Terms</b>	<b>N=119</b>	<b>N=54</b>	<b>N=63</b>
No consecutive terms allowed	5%	6%	5%
2 consecutive terms allowed	35%	30%	40%
3 consecutive terms allowed	13%	11%	14%
4 or more consecutive terms	3%	2%	3%
No limit on the number of terms	45%	52%	38%
<b>Number of Committees</b>	<b>N=121</b>	<b>N=55</b>	<b>N=64</b>
1 to 3	30%	29%	31%
4 to 9	50%	53%	47%
Ten or More	18%	19%	19%
No committees	2%	0%	3%

Notes: \*Base for executive committee size is orgs. with an executive committee.  
 \*\*\*"Highly" effective Boards are those where respondents rated the effectiveness at 5 or higher out of 7.

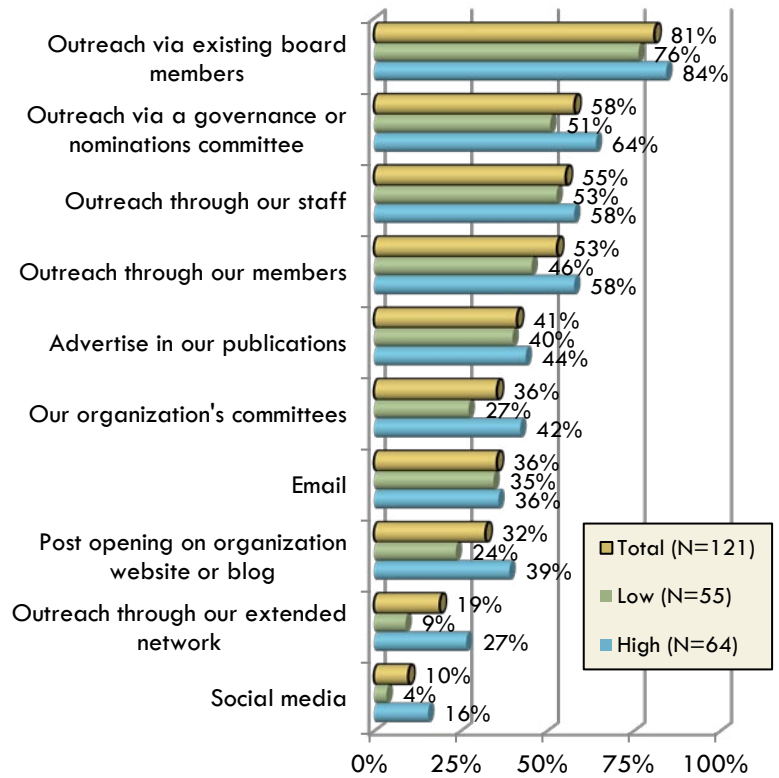
**Board Policy:** Formal policies are extremely common at the board level, according to survey participants. At 87%, the vast majority of survey participants have a conflict of interest policy in place for their directors. Confidentiality agreements are also very popular with 79% including them at the board level, while mandating attendance at meetings and events is also implemented by a majority (62%) of organizations that participated. Importantly, the nonprofits that perceive their boards to be most effective are more likely to have policies in all three of these areas.

### Best Tools for Board Member Recruitment

Looking at the different tools used by Canadian nonprofits to recruit potential board members, working existing and extended networks was the common theme for this survey. With 81% using it as a tool, taking advantage of existing board members is far and away the most popular recruitment method, while outreach via a governance, nominations or related committee (58%), staff (55%) and members (53%) are also used by a majority of survey participants. These methods were also considered to be the most effective for board member recruitment. Usage of these tools is more common among those organizations rating their boards as effective.

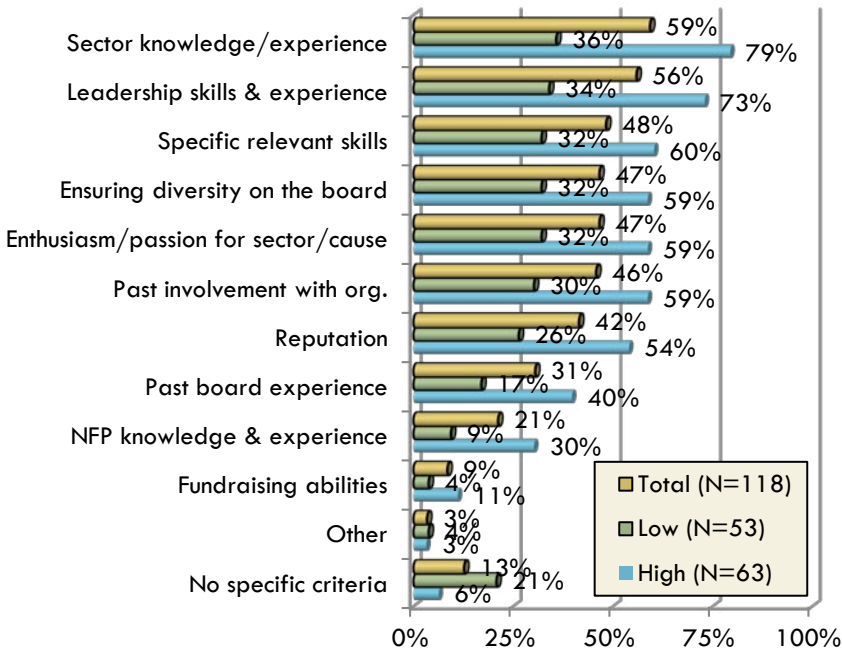
In addition to using their existing and extended networks and committees, the nonprofits whose boards were considered to be most effective were also more likely to post openings on their blog or website. Interestingly, while it is used as a board recruitment tool by just 10% of participant organizations, the organizations with effective boards were also more likely than non-effective boards to recruit directors using social media.

### Board Recruitment Tools



Note: "Highly" effective Boards are those where respondents rated the effectiveness at 5 or higher out of 7. Percentages sum to more than 100% due to multiple responses.

### Board Member Selection Criteria



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### Board Member Selection Criteria

What criteria are important to boards in selecting new members? Clearly, sector knowledge and organizational experience as well as leadership skills are the most sought-after characteristics, used by more than half of survey participants. A significant 48% also seek out board members that have a specific skill and experience set in a functional area such as marketing, communications, finance or accounting. Equally important is enthusiasm/passion for the sector and ensuring diversity on the board. Not surprisingly, those indicating they had an effective board are significantly more likely to use all of these criteria.

Interestingly, a 60% majority do not have a formal skills matrix against which they evaluate potential board matrix. Charities are far more likely and professional associations are far less likely than the other groups to use to use a formal skills matrix as part of their board selection process.

Use of a formal skills matrix also appears to influence board effectiveness; half of the organizations with

effective boards use this tool, compared to just one quarter of ineffective boards.

## What Do Canadian Nonprofits Offer in the Way of Board Training?

Beyond providing the standard board manual/primer or director orientation, Canadian nonprofits do not seem to go above and beyond when it comes to providing board training. Mentoring between new and experienced members is offered by just over half of the survey participants. Mentoring is significantly more common in organizations with effective boards (61%) than in those with ineffective boards (41%). Governance workshops are also fairly common and are offered by 40% of participant.

## Measuring Board Success

Are boards held accountable for the quality of their leadership through any kind of formal or regular assessment? Just under half of survey participants (45%) don't use any kind of board evaluation...and perhaps they should consider it: The organizations with the most inefficient boards in this survey were also less likely to have such a mechanism in place.

Of the nonprofits that do have assessment mechanisms in place are most likely to provide a board self-assessment (38%). Having individual members self-assess their performance is also fairly common and is used by just over a quarter of participants.

## Coming Up/Stay Tuned

Our next NFP Pulse will look at succession planning in nonprofits.

The results shared in this issue of the Association Resource Centre's Not-for-Profit Pulse are just a few of key highlights from the data gathered as a part of this social media research initiative. Be sure to bookmark our resource centre and follow our blog ([www.resources4associations.com](http://www.resources4associations.com)) in the coming weeks as we dig deeper into the results of this timely survey.

## Help Us Build a Great NFP Sector Community!

What are the trends, issues, challenges and opportunities you want to learn about? Join the conversation and help us to choose future topics for the NFP Pulse. Each issue will include relevant, research-based information and analysis on a topic that is top-of-mind to not-for-profit leaders. If you have a suggestion or would like more information on how you can participate, please visit our blog or use the information below to contact us directly. Thanks for your input – we can't wait to help your organization achieve its full potential!

## About the Association Resource Centre

The Association Resource Centre is a full-service consulting firm that specializes in providing quality research and strategic planning services to the not-for-profit sector. We are a Canadian organization with offices in Ontario and British Columbia and have been in operation for 14 years. Our long list of extremely satisfied clients range from municipal to international in scope and represent a broad range of industries.

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