An Exploration of Governance Best Practice in High-Performing Non-Profit Board of Directors

Abstract

Since the 2008 collapse of financial markets, the expectations and requirements for good organizational governance has increased in both the for profit and not-for-profit sectors. Organizational governance includes the establishment of policies and practices designed to monitor and manage organizations and is created by the organizations governing body. The governing body is known as the board of directors. The board of directors is the mechanism through which governance takes place. Effective governance focuses on ensuring organizational success by, setting and reach goals and utilizing the organizational resources effectively and in the best interest of stakeholders. Effective governance is reliant upon a high-performance board of directors.

High-performance boards establish robust governance frameworks that are the conduit for organizational accountability, delivery of mission and overall organizational success and sustainability. High performance boards are themselves independent, knowledgeable, experienced in governance and the business sector, of high integrity and of clear understanding of the boards roles and responsibilities. High-performance boards understand the importance of assessing and engaging organizational stakeholders and managing those relationships effectively.

The purpose of this applied research project was to identify governance best practices that result in a high-performing non-profit board of directors. A goal is to rationalize to NFP board directors, organizational leaders, and their stakeholders, the urgency of creating a high-performance board. The main research question focused the required data by asking what is governance best practices that result in a high-performing non-profit board of directors? The management domain used was strategy and LeBlanc's Shared Leadership Framework for effective boards was used as a best practice exemplar. Through an extensive secondary literature review, the applied secondary research identified governance best practices that can result in high-performing non-profit board of directors. The review of the literature focused on five main topics, including strategic management, board governance, Shared Leadership Framework, board directors, and board governance best practices. The results of the exhaustive review isolated; (a) the strategic theory inherent in the Shared Leadership Framework, (b) the hallmarks of a high-performance board, (c) the governance best practices that result in high-performing non-profit boards, and (d) why a board should evaluate its performance. After considering the results, four themes were derived from the data including a foundational need to understand the function of governance. Next, key governance best practices were isolated from the research. Third, researchers collectively highlighted the importance of governance self-evaluations. Finally, a surprise theme included the necessity of the board to increase its strategic understanding of, and relationships with, organizational stakeholders.

The results and analysis of this applied research project defined strategic management and governance; described shared leadership and the attributes of high-performance boards; and, highlighted board governance best practices that lead boards towards high-performance. Further, it links high-performance boards who adhere to governance best practices to organizational success and sustainability. A series of six recommendations were fostered to provide leaders a roadmap for governance best practices that result in a high-performing non-profit board of directors. The six recommendations included (a) thoughtful recruitment of directors, (b) onboarding and orientation processes for new directors, (c) performance evaluations of directors, (d) implementation of director term limits, (e) stakeholder evaluation and management by the board, and (f) clearly defining the duties of the board versus the duties of management. In closing, this applied research project established the key best practices of a high-performance non-profit board of directors and provided the tools and resource information for a board to act on the six best practice recommendations.

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1.0 Introduction

Within the not-for-profit (NFP) sector, board directors are typically volunteers, often with no governance or leadership experience (Ellis, 2012). Members often lack an understanding of the duties; responsibilities; and, general role of the board. Some board members are focused on monitoring or micromanaging the chief executive officer (CEO) or executive director (ED) rather than leading the organization (Pealow & Humphrey, 2013). Ellis (2012) determined that boards in the NFP sector may not be considered legitimate or be taken seriously as a result of governance and management related scandals that have rocked the NFP sector over the last few decades. Finally, board members in the NFP sector often lack balance, direction, and an understanding of their role (Ellis, 2012; Leblanc, 2016; Pealow & Humphrey, 2013).

Today, the publics' expectation of board performance in both the for profit (FP) and NFP sectors has evolved (Leblanc, 2016). For example, there is an expectation of high-quality, high-performance leadership that is deeply rooted in strategic management and governance best practices (Leblanc, 2016). Further, stakeholders expect transparency, accountability, and competency from board directors and governors (BoardSource, 2012). Finally, board members must collectively acknowledge the importance of developing and maintaining a good relationship, even a partnership, with the organization's CEO/ED (BoardSource, 2012). These public expectations make good sense considering that most NFP organizations focus their work on improving the human condition with limited funding. These new expectations require board leadership that has the knowledge, skills, and other behavioural attributes that enable a focus on developing effective, sound strategies and ensuring the organizational vision and mission are fulfilled (BoardSource, 2012). This applied research project is in the management domain of strategy. It will refer to the shared leadership model as outlined by Leblanc (2016). The project will explore governance best practices and highlight how those best practices can propel NFP boards of directors towards high-performance. Next, I review the purpose and main research question.

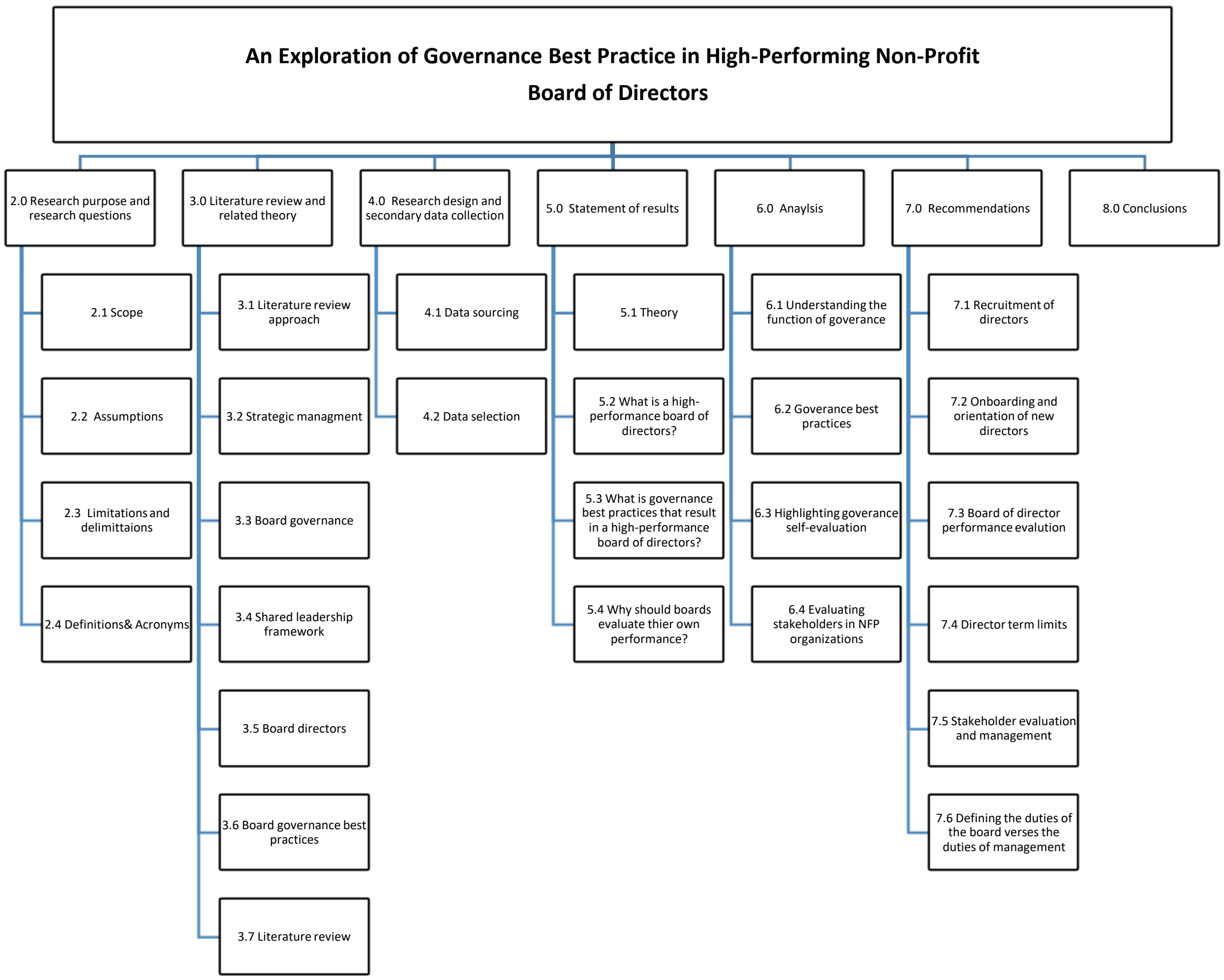

Figure 1. A schematic diagram of the organization used for the study.

2.0 Research Purpose and Research Questions

The purpose of this applied research project is to identify governance best practices that result in a high-performing non-profit board of directors. A goal is to rationalize to NFP board directors, organizational leaders, and their stakeholders, the urgency of creating a high-performance board. This applied research paper will present evidence-based support through an extensive literature review that answers the following research question:

1. What is governance best practices that result in a high-performing non-profit board of directors?

The research provides compelling rationale to encourage directors of not-for-profit boards to work towards developing a high-performance board. Specifically, this research provides directors with an understanding of the roles and responsibilities of directors and boards and the importance of board self-evaluation as an integral component of creating a high-performance board of directors. The research includes evidence-based tools that support board self-analysis and development. Lastly, the research demonstrates how organizational effectiveness is improved through the creation of a skills-based, high-performance board of directors.

2.1 Scope

The purpose of this project is to identify governance best practices that result in a high-performing non-profit board of directors. The study will consider literature that focuses on best practices in governance in general and within NFP governance. Literary source countries of origin will include; Canada; The United States of America; and, The United Kingdom. All resource materials will be the English language. The literature pool for governance was enormous. To keep the research scope manageable, research was focused on identifying the role of a board of directors in NFP organizations, defining strategic leadership in governance and, governance best practices for the NFP sector.

2.2 Assumptions

I will explore the Leblanc's (2016) shared leadership framework at length to argue support for its utilization in the non-for-profit sector. I have four critical assumptions that underpin this applied project study. Firstly, that there is a strong connection between the approach used in Leblanc's model and a good governance result. Secondly, that good governance can be shown to positively impact organizational effectiveness. Third, that highly effective governance may be improved through a best practice of ongoing self-evaluation by board members. While the literature used is extensive, the research will rely upon Leblanc as a seminal author in the board governance space. Fourth, I assumed that I could discern the NFP governance best practices from a synthesis of the germane literature.

2.3 Limitations and Delimitations

This applied project has several key limitations that might be avenues of interest for future researches to pursue. First, that the study focuses on best practices for existing boards rather than how to build and effective board through recruitment best practices. Second, the project did not consider other issues that may impact the board directors including, gender representation, diversity, gender bias, literacy, or cultural differences. Third, I narrowed the focus of this this study to NFP governance. Forth, the applied project is a secondary research paper, and considered existing literature only. It might prove interesting to future researchers to focus on a specific organization and record its effectiveness, after implementing governance best practices. Truly the field of governance is vast, and this paper considers only a small cross section of governance practice. Finally, I delimited the study to NFP governance research published in English that was published in the last 10 years.

2.4 Definitions & Acronyms

Recuse. Is the act of removing oneself from participation to avoid a conflict of interest (Merriam-Webster, 2019).

Tort. Involves “a civil wrong recognized by the courts for which an injured party can seek damages” (Carter & Demczur, 2012, p. 3).

Nota bene. This term is used to call attention to something important (Merriam-Webster, 2019).

Table 1

List of Acronyms

Acronym	Description
ASAE	American Society of Association Executives
AU	Athabasca University
BOD	Board of Directors
CCGG	Canadian Coalition for Good Governance
CEO	Chief Executive Officer
CSAE	Canadian Society of Association Executives
ED	Executive Director
FP	For Profit
MBA	Master of Business Administration
NFP	Not for profit
OCA	Ontario Corporations Act
ONCA	Ontario Not-for-profit Corporations Act
TOR	Terms of reference

3.0 Literature Review and Related Theory

The purpose of this project is to identify governance best practices that result in a high-performing non-profit board of directors. To fulfil the purpose and respond to the research question, I conducted a thorough review of the relevant literature. An abundance of literature exists around creating and evaluating effective governance, creating a high-performance board of directors and, the organizational benefits of creating a high-performance board.

The research literature was selected to identify best practices in five primary categories, including (a) Strategic Management, (b) Board Governance, (c) Shared Leadership Framework, (d) Board Directors and, (e) Board Governance Best Practices. Each of these five main categories were further explored in sub-topics, as indicated next. Strategic Management includes consideration of: (a) Corporate Strategy verses Business Strategy, (b) Leadership with Strategic Implications, and (c) Organizational Change Defined. Board Governance is explored in four topics: (a) Board Structure, (b) High Performance Boards, (c) Policy Board verses Administrative Board, and (d) For-Profit verses Non-Profit. The three Shared Leadership Framework sub-topics include: (a) Heroic Leadership Style, (b) Collaborative Leadership Model, and (c) Transformational Leadership Style. Board Directors includes consideration of: (a) Fiduciary Duties, (b) Duty of Loyalty, (c) Duty of Care, (d) Term Limits and Managing Turnover, (e) Director Liabilities, and (f) Strategic Leadership. Finally, the exploration of Board Governance Best Practices highlights eight topics: (a) Director Recruitment, (b) Director Onboarding and Orientation Training, (c) Director and Board Evaluation, (d) Term Limits and Managing Turnover, (d) Board Evaluation Tools, (f) Stakeholder Management, (g) Stakeholder Analysis, and (h) Governance and Organizational Sustainability.

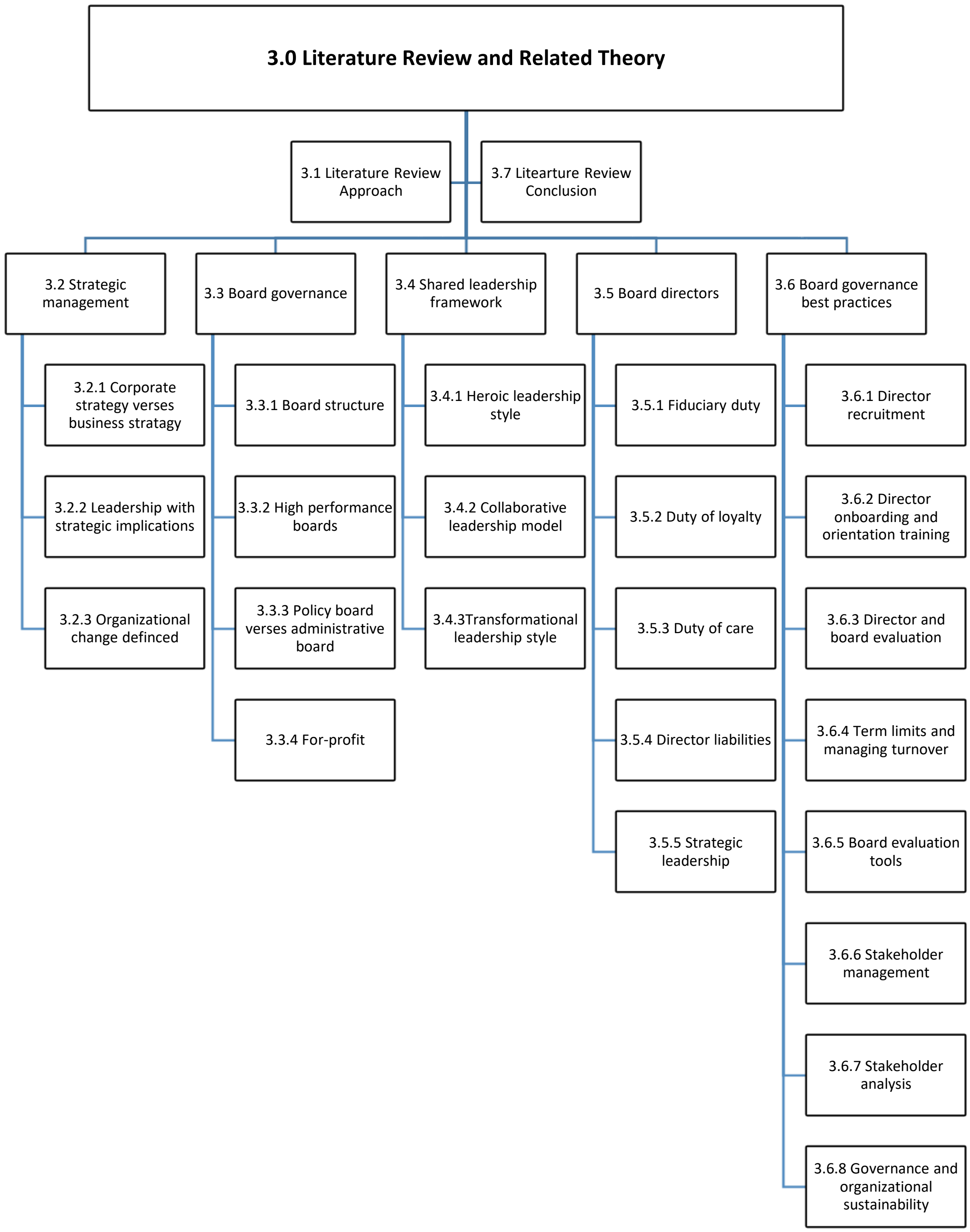

Figure 2. A schematic diagram of the literature review organization.

3.1 Literature Review Approach

This literature review followed a systematic approach beginning with, identification of key research questions followed by, an intensive literature search online, through the AU library and through the Vital Source website. This applied research project also included the use of textbook resources provided by the AU Faculty of Business for the MBA program. Once a seemingly appropriate resource had been collected, it was scrutinized against the inclusion criteria. I followed a six-step resource scrutinization process. The six steps included: (a) defining the research question, (b) defining the scope of the search, (c) defining the search databases, (d) defining the resource period to be searched, (e) defining key word searches, and (f) analyzing the selected references for content and legitimacy. The six-step process is ordered and illustrated below as Figure 3.

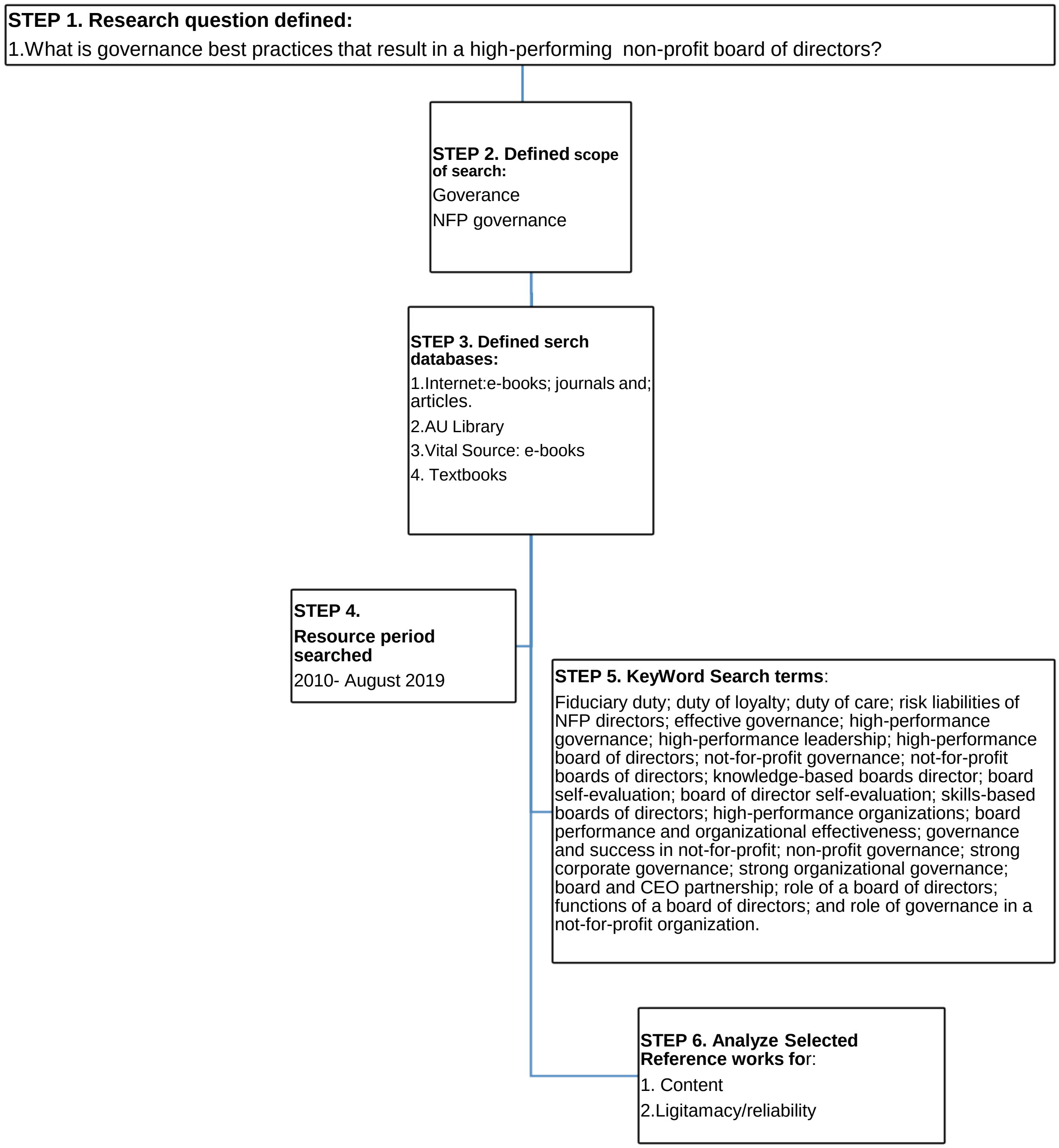

Figure 3. An overview of the literature review approach.

A July 20, 2019 Google internet search of the broad terms of *governance* and *NFP governance*, produced results that exceeded 700,000,000. A further refinement to include a time period from 2008 to 2019 reduced the results down to 37,900. Further key word searches included phrases and words such as, *fiduciary duty, duty of loyalty, duty of care, risk liabilities of NFP directors, effective governance, high-performance governance, high-performance leadership, high-performance board of directors, not-for-profit governance, not-for-profit boards of directors, knowledge-based boards director, board self-evaluation, board of director self-evaluation, skills-based boards of directors, high-performance organizations, board performance and organizational effectiveness, governance and success in not-for-profit; non-profit governance, strong corporate governance, strong organizational governance, board and CEO partnership, role of a board of directors, functions of a board of directors*, and, *role of governance in a not-for-profit organization*. I determined that the best results were obtained by systematically searching each of the keywords and a more manageable result was achieved. Selecting resources that not only contained the desired content but that met data quality, reduced the number of resources down to 35. Lastly, academic resources were sourced to provide support around identify some key terms as well as developing resource criteria.

It was critical to ensure that keyword searches are effective at producing scholarly and literary resources. *Keyword Search* (2019) is a Walden University Library resource that recommends creating word search lists that: (a) turn your topic into keywords, (b) avoid abstract or implied concepts, (c) use synonyms and antonyms, and (d) include abbreviations and acronyms. Utilizing these tips will successfully provide references that answer research questions (Illinois State University, 2019). Next I explore the management domain selected for this applied project, strategic management.

3.2 Strategic Management

The objective of strategic management to work towards better alignment of corporate policies and strategic priorities (Strategic management, 2013). The seminal author I have chosen Richard Leblanc. Dr. Leblanc's (2016) research suggested that not-for-profit boards are failing in area of strategic management.

> According to a 2015 BoardSource study, nearly 35 percent of over 836 nonprofit chief executives gave their boards a C, D, or F grade in strategic development efforts—a major board responsibility. In addition, only another 35 percent reported extensive use of meetings focused on strategy and policy (Leblanc, 2016, p. 714).

"The term strategy, in a broad sense, refers to a method designed by an organization to achieve its goals" (Grant, 2016, p. 15). Organizational leaders use strategies to establish direction and set aspirations (Grant, 2016, p. 15). Further, Grant determined that a good strategy can motivate and inspire stakeholders. "Management is the activity of managing the resources that create and deliver services and products" (Slack, Brandon-Jones & Johnston, 2016, p. 5). Thus, the objective of *strategic management* is to achieve better alignment of corporate policies and strategic priorities.

> The key to leadership that is strategic in nature is the context within which that leadership is occurring: it must have strategic implications for the organization. Specifically, strategic leadership is broad in scope. The impact of strategic leadership is felt over long periods of time. And finally, strategic leadership often involves significant organizational change (Hughes, Colarelli Beatty, & Dinwoodie 2014, p. 14).

In NFP organizations specifically, the board of directors is responsible to determine the organization's goals and set the organizational management strategy to achieve those goals (BoardSource, 2012). According Leblanc (2016), successful strategic management is reliant upon members of the board working collaboratively with each other and with senior management in order to develop strategies and create policies that align with those organizational strategies.

3.2.1 Corporate Strategy verses Business Strategy

Directors must understand the role of the board versus the role of senior management and, comprehend that while board bares ultimate accountability for organizational performance, "it is definitely not the board's job to manage the company" (White, 2014, p. 8). "The work of the board is to see that the organization's mission gets accomplished. Ideally, the work of the organization is the job of management" (Taylor, 2014, p. 2.). To understand which duties, fall under the purview of governance and which fall under the purview of management, it is important to understand the difference between *corporate strategy* and *business strategy* (Grant, 2016, p. 19). For example, c*orporate strategy* includes identification for where an organization competes and a definition for the scope of the organization in terms of its industry and the marketplace in general. (Grant, 2016). "Corporate strategy decisions include choices over diversification, vertical integration, acquisitions, and new ventures, and the allocation of resources between the different businesses of the firm" (Grant, 2016, p. 19). Typically, the development of corporate strategy falls under the purview of organizational governance (BoardSource, 2012).

In contrast, *the business strategy* is used to identify how the organization will compete within its industry or the marketplace in general (Grant, 2016). Specifically, how it will support the establishment of competitive advantage within the organizations industry (Grant, 2016, p. 19). Therefore, the development of business strategy falls under the purview of the lead executive (BoardSource, 2012). “The board appoints the CEO, the CEO reports to the board, and everyone else reports directly or ultimately to the CEO” (White, 2014, p. 8).

As noted above, the corporate strategy is the responsibility of the board as part of its corporate management-governance functions. The organizations’ business strategy is primarily the responsibility of the CEO (Grant, 2016, p. 19). Typically, an organizations’ directors are responsible to manage the business as a collective and may delegate a portion of their authority to the senior executive (Webster, 2011, c.2.2). Webster (2011), further establishes that delegation should not be confused with abdication. Directors are ultimately responsible to ensure that their delegate is carrying out the tasks delegated and managing any associated risks effectively. Authority of delegation to the CEO should enable the CEO to implement approved policy without seeking further board approvals and include the power to delegate downward. (Leblanc, 2016, p. 80). Section (3.5.5) describes in detail the role of governance verses the role of staff. Noted below as *Figure 4* is an illustration of how the two strategies are separate but work together to create organizational profitability or value to the organization. It is important to note how clearly separate corporate strategy and business strategy are but, how they share the common of creating profit or success. Without both corporate and business strategies being executed successfully, organizational success is unachievable.

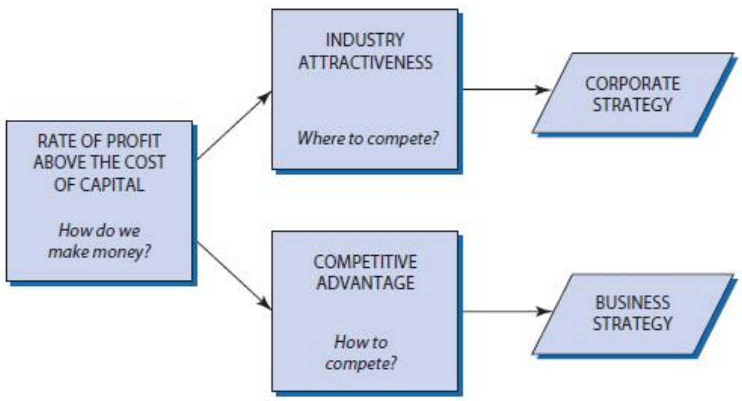

Figure 4. The sources of superior profitability (Grant, 2016, p. 19).

3.2.2 Leadership with Strategic Implications

Leadership with strategic implications was identified by Hughes et al. (2014) as being ”broad in scope; the impact of strategic leadership is felt over long periods of time; and, strategic leadership often involves significant organizational change” (p. 14). The broad scope of strategic leadership, “extends beyond the organization, acting on and reacting to trends and issues in the environment” (Hughes et al., 2014, p. 14-15). Strategic leaders must keep long-term organizational goals in mind while they plan short-term objectives (Hughes et al., 2014). Therefore, organizational change is necessary to achieve enduring performance potential and, requires strategic leadership to navigate those organizational strategy changes (Hughes et al., 2014).

Leading change and creating organization strategy to cope with change is complex and requires strategic leadership acumen. Leaders that drive effective organizational change boast “a learning orientation, including curiosity, inquiry, humility, and collaboration with others" (Hughes et al., 2014, p. 21). Hughes et al. (2014) are seminal authors in leadership development space. The trio of Hughes, Colarelli Beatty, and Dinwoodie have worked together at the Center for Creative Leadership in Colorado Springs, Colorado for fifteen years (Hughes et al., 2014, p. xi).

3.2.3 Organizational Change Defined

Organizational change is defined as the process in which leaders evolve an organization's structure or strategies, in response to – or as a result of – external or internal pressures (Business Market News, 2019). Drivers of environment change can include "forces of competition, technology, evolving consumer needs and expectations, geopolitics, economic development, and a host of other influences" (Grant, 2016, p. 206). The pace of change in the world has increased to the point where, "leaders may face constant change including in their business environment" (Grant, 2016, p. 206). Keeping up with the pace of change within an organization's environment, "requires strategic leadership acumen" (Grant, 2016, p. 206).

Both creating a new mission statement and rethinking the organization's existing mission may begin with a simple question posed to employees, board members, and stakeholders: "why does your organization exist?" (BoardSource, 2012, p. 308). Organizational leaders must state the organisation's mission or its reason for being, as part of the incorporation application process in Ontario. In Ontario incorporating a FP corporation begins with the completion of a Form-1 Articles of Incorporation (a sample is inserted as Appendix A). Incorporating an Ontario NFP corporation begins with completing a Form 2 Application for Incorporation of a Corporation without Share Capital (a sample form is inserted as Appendix B). Of interest, see also Appendix B, Section 4 of the Form 2 application requires the organizational mission: “the object for which the corporation is incorporated are…” (Ontario, 2019, p. 2). Further, organizations may be ”faced with a time their organization’s mission statement no longer resonates with the people or community it serves” (BoardSource, 2012, p. 307).

In the quest to create new and sustainable organizational value, “strategic leadership requires successfully navigating and leading these changes” (Hughes, 2014, p. 16). From the BOD perspective, strategic change will be radical to the organization. “Radical change, breaks the frame of reference for the organization, often transforming the entire organization” (Daft & Armstrong, 2014, p. 373). Conversely, incremental change “represents a series of continual progressions that maintain the organization’s general equilibrium and often affect only one organizational part” (Daft & Armstrong, 2014, p. 372). A comparison of organizational change that is strategic *or radical* and, change that is incremental is inserted as Figure 4 below. Incremental changes may be applied to improve an existing program, service, or process. Radical change can expand or even shift organizational focus. For example, the advent of medical practice management software radically changed the healthcare industry by recuing clinician errors, increasing patient safety and improving patient outcomes (HealthIT.gov, 2019).

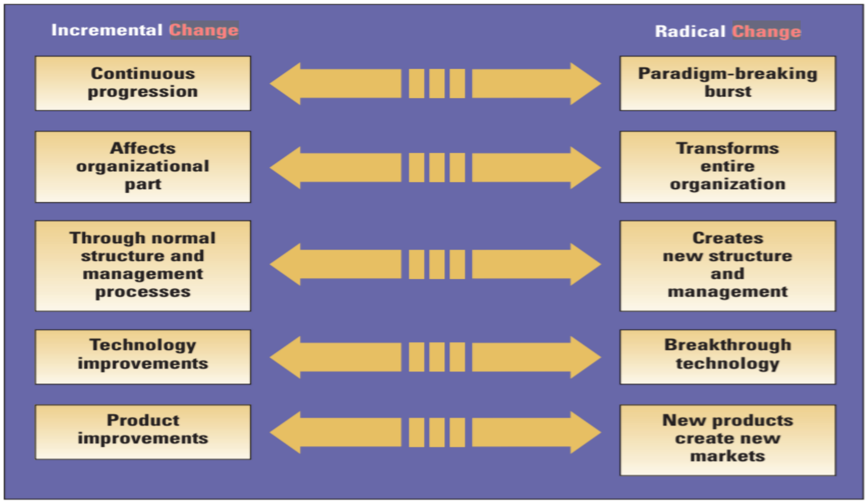

Figure 5. Incremental versus radical change (Daft & Armstrong, 2014, p. 373).

3.3 Board Governance

Governance was defined as "establishment of policies, and continuous monitoring of their proper implementation, by the members of the governing body of an organization" (Business Dictionary, 2019). "The board of directors is the key organ of corporate governance in most organizations. Its primary function is to provide human accountability for corporate behavior and performance" (Leblanc, 2016, p. 249). Members of that governing body are known as the board of directors. "It is the board's responsibility to create and review a statement of mission and purposes that articulates the organization's goals, means, and primary constituents" (BoardSource, 2012, p. 3).

Thus, an organizational mission statement should serve as the key guide and benchmark for everything the board and staff do. The organization's mission is used to clarify if the

> Strategic plan and its supporting objectives build upon the whole reason we exist? Does the budget accurately reflect what's important to us? Do our policies

and procedures advance our purposes? What programs and services are most consistent with our mission?" (BoardSource, 2012, p. 9-10).

In contrast, Leblanc described corporate governance more simply as, "a set of relationships between a company's management, its board, its shareholders and other stakeholders" (2016, p. 72). Leblanc also notes that corporate governance can provide a structure through which organizational goals can be set, and their success monitored.

3.3.1 Board Structure

Boards of directors are formed to act as the mechanism through which governance takes place (Business Dictionary, 2019). They are appointed or elected by the corporation's membership with a primary purpose of acting on behalf of the corporation's membership (Pealow & Humphrey, 2013). Pealow & Humphrey (2013), Segal (2019), and Leblanc (2016) agreed that the size of a BOD can range from 3 to 31 or more, depending on the nature and size of the organization and whether it is FP or NFP. The three authors concurred that the best practice for size of a board fell between 5 and 12 directors. The BOD may appoint or elect from within the director pool, a board chair, a treasurer, vice-chair, secretary and, various standing and ad hoc board committees to carry out the work of the BOD (Pealow & Humphrey, 2013). It is also the responsibility of the board to recruit and manage the lead executive officer. A board's scope should be outlined within the organization's bylaws (Pealow & Humphrey, 2013).

The BOD, as a collective, is charged with the creation of organizational mission and strategic plan. Strategic planning is most effective when conducted in partnership with the staff (BoardSource, 2012). "Strategic planning helps the board to assess the organization's strengths and weaknesses, look at environmental trends affecting the organization, articulate priorities, and monitor progress against financial and programmatic goals" (BoardSource, 2012, p. 16). It was recommended that each director continually ask these four questions: (a) what is our purpose?; (b) who are we serving?; (c) how are we doing?; and, (d) where are we going? (BoardSource, 2012, p. 16).

Typically, there are three types of committees within a BOD, including standing, ad hoc, and advisory (Literacy Basics, 2013). Standing committees focus on specific areas that they monitor, report on, and provide advice about to the board on an ongoing basis. Some examples of standing committees are: Executive; Personnel; Audit, Risk, and Finance; Nominating, and, Fundraising, if there is no separate Foundation BOD (Literacy Basics, 2013). Ad hoc committees are formed by boards for specific purposes and the committee disbanded once the purpose is served. Typical examples of Ad hoc committees include review of building contracts or a committee formed to plan a conference or fundraising event (Literacy Basics, 2013). An advisory committee can be formed to research, investigate, or monitor a specific issue and provide informed advice to the board including wind-down of a business or release of long tenured staff (Literacy Basics, 2013).

3.3.2 High Performance Boards

BoardSource (2012) suggested that attributes of high-performance boards included: an understanding that role of the board is distinct from the role of the CEO; a deep understanding of the organization's stakeholders and primary beneficiaries; clear understanding of BOD and CEO accountabilities; that BOD meetings include board-friendly materials sent in advance, concise agendas, clear results, and time for board fellowship; and, board members that were carefully selected, oriented, and trained. Similarly, Pealow & Humphrey (2013) sited the characteristics of high-performance boards as including a clear understanding of how the organization's vision impacts stakeholders; that there was a strong emphasis on performance and accountability; a focus on continuing improvement, and finally an emphasis on self-evaluation and benchmarking of governance best practices. Association of Governing Boards (2014) identified highly effective boards as having ten habits: (a) a culture of engagement; (b) upheld basic fiduciary principles; (c) cultivated a healthy relationship with the lead executive; (e) selected an effective board chair; (f) established a strong governance committee focused on building the board that can lead the organization towards the fulfillment of its strategic goals; (g) allocated appropriate policy-making authority to committees to allow the full board to focus on more strategic issues; (h) assessed risk factors and made risk mitigation policy decisions in collaboration with the lead executive; (i) provided appropriate quality assurance oversight; (j) continuously renewed their commitment to shared governance and organizational leadership; and, (k) were focused squarely on accountability.

McCarthy Tétrault (2010) released a quick summary of the four best practice guidelines for building high-performance boards which were based on the Canadian Coalition for Good Governance updated guidelines. Those four best practices included; (a) accountability and independence; (b) recruiting directors who are experienced, knowledgeable, effective, and possessed a very high level of integrity; (c) developing a keen understanding of responsibilities; and, (d) the strong engagement of shareholders and meeting with key stakeholders. Finally, Leblanc stated that “to be effective, the board must be a high-performing team” (2016, p. 9).

3.3.3 Policy Board Verses Administrative Board

Governance boards fall under one of two basic categories- a policy board or an administrative board. A policy board, as the name suggests, is focused on organizational policy development and is responsible to hire a CEO/ED, or lead executive, and then delegate to the CEO the day-to-day operational management oversight (Literacy Basics, 2013). Policies developed by the policy board provide overall direction to the organization (Literacy Basics, 2013). Conversely, an administrative board will typically take on specific executive functions or full roles if the organization lacks leadership bench-strength or specific knowledge or expertise (Literacy Basics, 2013). Boards that understand which type of board they are, better articulate direction and boundaries and, clearly define board verses CEO roles, “thus preserving the CEO-BOD relationship” (Pealow & Humphrey, 2013, p. 287).

It is common for both policy and administrative boards to develop committees (Literacy Basics, 2013). Board committees focus on specific tasks or projects and their scope and terms are defined by the BOD (Literacy Basics, 2013). Committees may be supported through the creation and implementation of terms of reference (TOR) (Pealow & Humphrey, 2013). Health Quality Ontario (2016), created a best practice guide for creating TORs. Health Quality Ontario outlined those essential components as: the organizations name; the committee name; the purpose of the committee; the responsibilities of the committee; the accountability and reporting relationships of the committee; the titles of committee members; the length of terms for members; the length of time the committee will remain active; the member qualifications, skills, reimbursements or compensations; meeting frequency, notice, and method of recording; and, how often the board should review the TORs. See Appendix C for a full copy of the *Health Quality Ontario Guide E*.

3.3.4 For-profit Verses Non-profit

Both FP and NFP boards have a duty of care (Literacy Basics, 2013). Both FP and NFP organizations have five basic board responsibilities that cannot be delegated to management including: (a) creating a viable governance structure; (b) assessments of board and organizational performance; (c) strategic planning; (d) managing the CEO; and, (e) assured organizational integrity (Leblanc, 2016). The primary difference between the two is that FP boards are accountable to shareholders and NFP boards are accountable members, community groups, or other groups who benefit from the organization's services or products. (Literacy Basics, 2013). Please see below in Table 2 for direct a comparison summary of the FP and NFP board accountabilities.

Table 2

For-profit verse Non-profit accountability comparison

Responsibilities	**For-Profit board accountability**	**Non-Profit board accountability**
Creating a viable governance structure	✓	✓
Assessments of board and organizational performance	✓	✓
Strategic planning	✓	✓
Managing the CEO	✓	✓
Accountable to Shareholders	✓	✕
Accountable to members	✓	✓

Note. Source for the FP/ NFP director responsibilities was Leblanc (2016, p. 720).

3.4 Shared Leadership Framework

Leadership can be defined as a process of influencing others to understand and agree on goals and how those goals can be met effectively (Lam, 2013). Shared leadership describes the intentional creation of a structure and culture that promotes and facilitates the sharing of leadership among staff, board, volunteers, and other stakeholders (Allison, Misra & Perry, 2018). *The Handbook of Board Governance: A Comprehensive Guide for Public, Private, and Not-for-Profit Board Members* by Leblanc (2016) is a resource that takes an approach to board framework known as the *Shared Leadership Framework*. Leblanc's Shared Leadership Framework is considered seminal for two reasons (a) Dr. Richard Leblanc is an Associate Professor, Law, Governance, and Ethics at York University, their Director of the Master of Financial Accountability Program, and an Independent Governance Advisor; and, (b) the sources chosen by Dr. Leblanc include very credibly affiliated persons. The authors cited in Leblanc's book included: (a) Charles M. Elson, the Edgar S. Woolard, Jr., Chair in Corporate Governance, and Craig K. Ferrere, the Director and Fellow, (both of the) John L. Wienberg Center for Corporate Governance at the University of Delaware; (b) John M. Holcomb, Professor at the Daniels College of Business, University of Denver; and, (c) Jay A. Conger, of Claremont McKenna College, and Edward E. Lawler III, of the University of Southern California.

Leblanc (2016) focused on shared leadership, which he identified as "knowing when to lead, when to partner, when to monitor and, when to stay out of the way" (p. 34-35). Leblanc's approach to board effectiveness is considered seminal and it will set the tone for this applied project. Noted below as Figure 6 is an overview of Leblanc's

Shared Leadership Framework. Leblanc's framework lists best practices for effective boards of directors. This research will explore the shared leadership framework at length and consider its utilization in the non-for-profit sector. Figure 6 provides a simple illustration of the four different approaches that fit together to create a shared leadership approach.

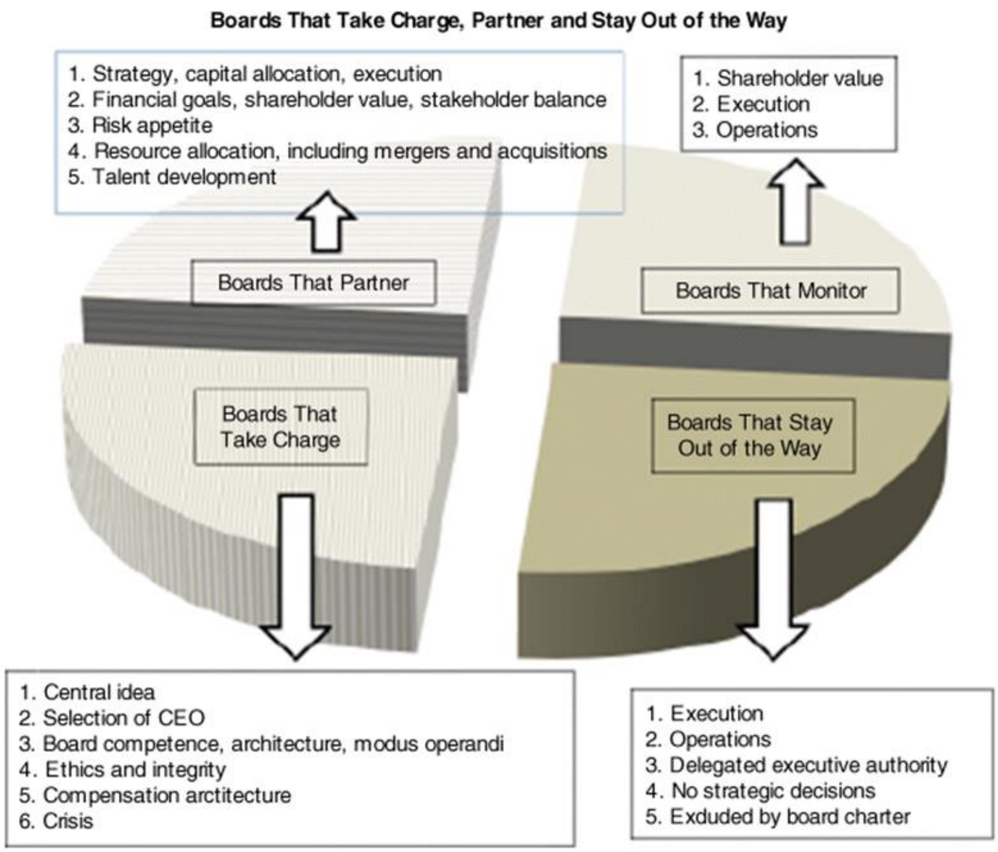

Figure 6. Leblanc's Shared Leadership Framework as a board model (2016, p. 34).

Upon review of the governance research, I determined that Leblanc (2016) was a seminal author. In contrast, Takagi (2017) considered the negatives of a shared leadership framework through a practical, legal lens. For example, Takagi concluded that "boards must be careful not to delegate important responsibilities without careful consideration of abilities and capacity" (para. 9). Directors' fiduciary duties require them to delegate authority with due care, in good faith, and in the best interests of the corporation. The research analysis will include a presentation of the pros and cons of Leblanc’s framework approach and its potential impact on governance and organizational effectiveness.

Shared leadership is a model that encourages board members to find the right balance among the BOD’s responsibilities. Members need to “know, when to lead, partner, monitor and, when to stay out of the way” (Leblanc, 2016, p. 35). As noted in Figure 6, Leblanc (2016) provided a schematic outline of the four components of the shared leadership framework. This governance model highlights that one size does not fit all, board strategy should be fluid and, directors and executives create value by working together to create a combination that creates value for their organization (Leblanc, 2016). Sharing leadership hinges on the ability of the BOD and CEO to acknowledge that they are partners, each trusting their own abilities, and the abilities of the other (BoardSource, 2012). Boards are responsible to monitor management, but for a shared leadership model to work, the BOD must learn to lead in partnership with the CEO (Leblanc, 2016).

Shared Leadership Framework necessarily involved review of organizational strategy, risks, and opportunities at every board meeting (Leblanc, 2016). Sharing leadership effectively means holding both management and directors accountable (Leblanc, 2016). Shared leadership does not suggest that the BOD runs the operations of the organization, taking over the CEO role but, “directors at many firms are now very much partners with the leadership team” (Leblanc, 2016). The Shared Leadership Framework’s success comes from “the creation of knowledge-based interdependent, coordinative leadership practices distributed throughout an organization" (Tam, 2018, p. 6). Interestingly, the Shared Leadership Framework is also known as the *Post-heroic Leadership Model* (Fletcher, 2002; McCrimmon, 2010). The next section will provide an overview of the heroic leadership model and consider how it differs from shared, or post-heroic, leadership. Finally, Tam (2018) found that the shared leadership model conceptualized leadership as a set of shared practices that can and should be enacted by people at all levels.

3.4.1 Heroic Leadership Style

The concept of *Heroic Leadership* has a focus on the use of power of position to make decisions unilaterally (McCrimmon, 2010). One of the most prolific examples of heroic leadership is that of Lee Iacocca, and his great rescue of Chrysler in the 1980's (McCrimmon, 2010). Iacocca swooped in like a white knight (Myatt, 2012) and knew what to do to save Chrysler but, "today's knowledge workers want to be engaged in deciding what direction to take, not simply be sold a vision from on high that they have no part in formulating" (McCrimmon, 2010, p. 5).

In contrast to its name, heroic leadership is a form of autocratic leadership. Autocratic leaders exercise tight control and make unilateral decisions (Lam, 2013). Heroic leadership is self-defeating because, the more heroic it is, the more it widens the gap between dependency and empowerment. "Heroic leaders undermine engagement by trying to inject motivation into employees, namely by "being inspiring rather than by involving them in making decisions" (McCrimmon, 2010, p. 5). Without the opportunity to contribute, the most inspiring speech still amounts to a one-way communication. Heroic leadership often creates unnecessary dependencies between leaders and team members (Myatt, 2012). “Heroic leaders at the top, bend followers to their will, either through contingent reinforcement or by virtue of their outstanding charisma or other remarkable personality traits” (Tams, 2018, p. 1).

3.4.2 Collaborative Leadership Model

Collaborative Leadership centers on understanding the potential of people within the organization, the quality and level of information they can contribute and, their ability and willingness to share that information throughout the organization (Kinsey Goman, 2017). Kinsey Goman (2017) suggested that there are six crucial elements of collaborative leadership that truly collaborative teams and leaders must develop: (a) silo busting that included changing the mindset of interorganizational departments, divisions, or sectors who withhold or fail to share information; (b) building trust via the belief that collaborators are reliable, have integrity and are honest; (c) aligning body language, including positive eye contact, genuine smiles, and open postures when dealing with people; (d) promoting diversity; (e) sharpening of empathetic soft skills; and, (f) creating psychologically safe environment where people felt secure, valued, and trusted. Diversity of expertise and knowledge is important as “experiments at the University of Michigan found that, when challenged with a difficult problem, groups composed of highly adept members performed worse than groups whose members had varying levels of skill and knowledge” (Kinsey Goman, 2017, p. 14). Further, team members are more willing to collaborate and share information in a psychologically safe and diverse environment.

3.4.3 Transformational Leadership Style

Transformational leaders are focused on becoming a role model for the organization. A role model that is capable of elevating moral courage and motivating others. These leaders are influential, inspirational, and persuasive (Sime, 2019). “Transformational leaders inspire followers by the power of their vision and the glowing example of their behavior” (Tam, 2018, p. 2). Riggio (2014) described the four elements of transformational leadership as: (a) intellectual stimulation and creating a positive role model that subordinates want to emulate; (b) inspirational motivation and inspiring and motivating subordinates; (c) individualized consideration and demonstrating interest in the needs and concerns of subordinates; and, (d) intellectual stimulation whereby subordinates are encouraged to be innovative and creative. Finally, Riggio (2014) compared transformation leadership to good parenting, stating that each met individual needs and stimulated the other to meet challenges.

3.5 Board Directors

The research will consider how the effectiveness or ineffectiveness of governance can impact overall organizational performance. In general, NFP board of directors are entrusted by the organizations members to fulfil seven responsibilities, including: (a) determine the organization’s mission and purposes; (b) selecting the CEO; (c) supporting and evaluating the CEO; (d) ensuring effective planning and monitoring of goals; (e) monitoring and strengthening programs and services; (f) ensuring adequate financial resources; providing financial and asset oversight; ensuring legal and ethical integrity; and, (g) enhancing the organizations public standing (BoardSource, 2012). In the Canadian province of Ontario, NFP organizations are governed by the Ontario

Corporations Act (OCA; Blumberg, 2019). In early 2020, the provincial government is scheduled to replace OCA for NFP organizations with the Ontario Not-For-Profit Corporations (Blumberg, 2019). Under Canadian corporate law, directors are charged with fiduciary duty, duty of care, and duty of loyalty (Leblanc, 2016). Directors also face some liabilities around the fulfillment of these duties (Leblanc, 2016). Discussed below are the fiduciary duties, the duty of loyalty, the duty of care, and director liabilities.

3.5.1 Fiduciary Duties

Leblanc noted that "directorship is a fiduciary activity that involves acting in the interests of something else (the company) and not for personal ends or the interests of third parties" (2016, p. 252). Thus, there is an onus on directors to make decisions affecting organizational opportunities and property that will predominantly consider how and if there is benefit to the organization and protection of its assets (Leblanc, 2016). Those fiduciary duties encompass a legal responsibility to ensure that the organization remains true to its mission while maintaining compliance with all applicable federal and provincial laws (BoardSource, 2012). A significant part of those BOD fiduciary duties include financial monitoring and require the board to create and adhere to seven related practices, as follows: (a) keeping accurate and up-to-date financial records; (b) preparing and following an annual budget; (c) preparing accurate and timely financial statements; (d) managing assets effectively; (e) following established investment policies; (f) conducting an annual external financial audit; and, (g) conducting audits or prepares reports required by the government or other funders (BoardSource, 2012).

3.5.2 Duty of Loyalty

Of note, the BOD’s Duty of Loyalty and Fiduciary Duty overlap. Thus, both require directors to act in the best interests of the organization (Leblanc, 2016). “The most fundamental duty that directors owe to the company is that of loyalty” (Leblanc, 2016, p. 252). Historically, English courts have outlined this duty as directors acting in what they believe, in good faith, to be in the best interests of the company, and “not for any collateral purpose” (Leblanc, 2016, p. 252). In other words, whenever the director’s act on behalf of the organization in a decision-making capacity, they must set aside their own personal and professional interests to ensure that the organization’s needs come first (BoardSource, 2012). “Directors can avoid finding themselves in a conflict of interest situation by keeping, independence of mind. Independence of mind refers to, “avoiding self-serving conflicts of interest” (Leblanc, 2016, p. 167).

Some examples of self-serving conflicts include: accepting gifts, vacations, tickets for sporting or other entertainment; using directorship to get a family member or acquaintance a job within the organization; misuse of company resources including providing them to family or acquaintances; having personal relationship with other directors, lead executive or other organizational staff; awarding service contracts to directors; and, having biased or being beholden to a specific stakeholder who may have appointed, elected or recommended that director to the board (Leblanc, 2016). Leblanc (2016) further suggested that directors who are not of independent mind compromised the governance and may be construed by shareholder and stakeholders as not in control of the organization. Directors finding themselves facing a conflict of interest, that is a situation the potentially self-serving and not organizational serving, should recuse themselves from any related discussion or decision (BoardSource, 2012). As a best practice, boards should create a conflict of interest policy, outlining the identification and management of board and director conflict (BoardSource, 2012).

3.5.3 Duty of Care

The Duty of Care requires directors to exercise a reasonable amount of care, skill, and diligence in the execution of their duties (Leblanc, 2016). “The second major duty owed by directors to their corporations is a duty of care” (Leblanc, 2016, p. 252). The law may hold directors with specific skills, knowledge, or experience to a higher standard (Leblanc, 2016). For example: a director who is a professional accountant may be held to a higher standard when making financial decisions for the corporation. There is an expectation that the directors’ skills in finance should enhance their decision-making performance (Leblanc, 2016). Further, the Duty of Care specifically refers to a director’s “responsibility to participate actively in making decisions on behalf of the organization and to exercise their best judgment while doing so” (BoardSource, 2012, p. 6).

3.5.4 Director Liabilities

Directors of Canadian NFP organizations face liability risk at common law and by statute (Carter & Demczur, 2012). Directors can be held personally liable for their actions or inactions, as well as jointly and severally with other directors (Carter & Demczur, 2012). In Table 3, below, I have outlined many of the liability risks at common law and by statue, faced by NFP directors as described by Carter and Demczur (2012). Director liabilities can be significant according to Carter and Demczur.

Table 3

Not for Profit Director Liabilities

Liabilities in Common Law	**Statutory Liabilities**
Lack of Corporate Authority: directors may not act outside of their authority contained within corporate documents.	Failure to comply with federal statutes including but not limited to; Canadian Corporations Act; Income Tax Act (Canada); Excise Tax Act (Canada); Canada Pension Plan; Canadian Environmental Protection Act; Anti-terrorism legislations; and, the Canadian Criminal Code.
Negligent Mismanagement (Tort) Directors can be liable for failing to: adequately supervise human resources; unsafe physical conditions for staff, members, public; knowing issuing cheques against insufficient funds; failing to adequately supervise corporate assets; and, paying excessive salaries, bonuses or benefits to staff.	Failure to comply with provincial statues. In Ontario: Corporations Act (Ontario); Employment Standards Act (Ontario); Retail Sales Tax Act (Ontario); Workplace Safety and Insurance Act (Ontario); Pension Benefits Act (Ontario); Employer Health Tax Act (Ontario); Occupational Health and Safety Act (Ontario); Environmental Protection Act (Ontario) and related legislation; Child and Family Services Act (Ontario), Trustee Act (Ontario); and, the Charities Accounting Act (Ontario).
Contract liability: entering the corporation into a contract without authority; failing to supervise appropriately the execute of or compliance with a contract.	
Breach of Trust: inactivity or failure to act causing loss of organizational assets.	

Note. Source for the NFP director liabilities was Carter and Demczur (2012, p. 3).

Liabilities in common law focus on four primary areas of risk including; (a) director care not to exceed their authority as outlined in corporate documents; (b) responsibility to ensure that they have authority to enter the corporation into a contract and to supervise the execution and compliance with those contracts; (c) breach of trust - failing to act causing the corporation to suffer loss; and, (d) negligent mismanagement by failure to provide adequate oversight for human resources and the public, knowingly issuing cheques against insufficient funds or misuse of corporate assets. Negligent mismanagement is a tort and directors can be sued civilly for the loss caused by this failure. Applicable provincial statues may include but are not limited to; Corporations

Act, Employment Standards Act, Retail Sales Tax Act, Workplace Safety and Insurance Act, Pension Benefits Act, Employer Health Tax Act, Occupational Health and Safety Act, and, the Environmental Protection Act.

Canadian statutory liabilities are a result of failing to comply with various provincial and federal statutes and both the corporation and the director may suffer a variety of punishment for these violation including fines and criminal charges, depending on the statue (Carter & Demczur, 2012). Applicable Canadian federal statues may include but are not limited to; Corporations Act, Income Tax Act, Excise Tax Act, Canada Pension Plan Act, Environmental Protection Act, Criminal Code, and, Anti-terrorism legislation.

3.5.5 Strategic Leadership

A board director must understand their role as a director and the stewardship role of the board as the strategic leadership of the organization. In simple terms, the board's role is to determine *what* the organization will do; while the CEO's/board staff role is to determine specifically how things will get done (Pealow & Humphrey, 2013). BoardSource (2012), defined the BOD's role as one of oversight and guidance and the staff or CEO role as management and operations. For example, "responsibility for program evaluation belongs to the staff, but the board needs to know whether programs are successful and why, or why not" (BoardSource, 2012, p. 29).

Below, Table 4 summarizes Pealow and Humphrey's (2013) identification of four key responsibilities of the board and the CEO/ED. Noted in the table, is the ideal that boards create overall organizational strategy including selection and management of a lead executive who will focus on creating a plan to bring the strategic vision of the board to life through operational planning (Pealow & Humphrey, 2013).

Table 4

Responsibilities of the Board and the CEO/ED

Responsibilities	**BOARD**	**CEO/ED**
Planning	Approves	Develops and recommends
Day-to-day operations	No role	Is accountable to the board for all management decisions
Budget	Approves	Develops and recommends
Human Resources Staffing, Performance Terminations, Assignments	Hires and manages the CEO	Hires and manages all staff within an approved budget

Strategic leaders align the organization to strategies that can propel the organizations to live its mission and achieve its vision (Hughes et al., 2014). Hughes et al. (2014), created a *Strategic Leadership Framework* that isolated six key functions for effective strategic leaders, including: (a) set the organization's mission, vision, and values, (b) understand the drivers of strategy, (c) create business strategy, (d) develop a governance leadership strategy, (e) execute that strategy, (f) assess the internal and external impact of the strategy, and, (g) make corrections to the strategy as/if needed. Hughes et al.'s (2014) Strategic Leadership Framework model provided leaders with a seamless set of checks and balances that support the leadership team of board and lead executive as they work to create value. The Hughes et al. (2014), Strategic Leadership Framework overview is presented next as Figure 7.

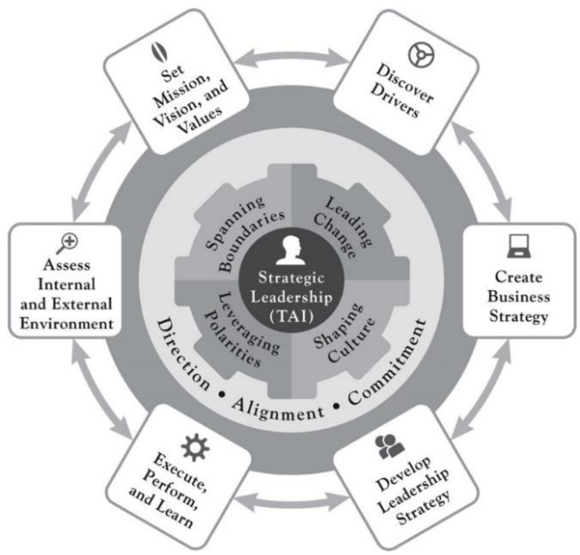

Figure 7. A schematic of the strategic leadership model (Hughes et al., 2014, p. 42).

Per Webster, "directors should always see themselves as custodians of the company: its assets are not theirs to deal with solely as they wish" (2011, p. 5). Traits and characteristics of a high-performing boards were similarly identified by ABG (2014), Dutra (2012), Hughes et al. (2014), Miller & Rassart (2013), and Reiss (2015). Some of those characteristics are identified as:

- creation of a positive and effective board culture;
- upholding basic fiduciary duties;
- having an effective board chair;
- having a good relationship/shared leadership approach with the CEO;
- a focus on board and director competency (skills); and,
- a focus on board accountability.

3.6 Board Governance Best Practices

To ensure the high-performance of a nonprofit board, each individual member and the BOD as a collective, must understand and adhere to best practices. (BoardSource, 2012). Those charged with governance responsibilities must have an in-depth understanding of who organizational stakeholders are and how best to communicate with them (Miller & Rassart, 2013). "A governance best practice is for the board to take responsibility for determining the organization's communications with its stakeholder" (Miller & Rassart, 2013, p. 30). Though Dutra (2012) and McInnes Cooper (2014) have very different and distinct way of expressing their thoughts on key best practices for governance, their examples are strikingly similar. According to McInnes Cooper (2014), there are five top best practices that individuals involved in governance of Canadian organizations should observe to be successful. Those five practices include:

1) **Build a strong, qualified board of directors and evaluate performance**: Directors should have expertise relevant to the business and have strong ethics and integrity, diverse backgrounds and skill sets, and enough time to commit to their duties. Boards should Identify gaps in the current director complement and provide new directors with an orientation to familiarize them with the organization, and lastly, the board should regularly review its mandates to assess whether Directors are fulfilling their duties.
2) **Define clear roles and responsibilities:** This includes establishing clear lines of accountability among the Board, Chair, CEO, Executive Officers and management. The Chair leads the Board and the CEO leads management, develops and implements business strategy and reports to the Board.
3) **Conduct itself with integrity and ethical practice**: This includes adopting a conflict of interest policy and a code of business conduct that sets out the process to report and deal with non-compliance.
4) **Evaluate CEO performance:** This includes establishing and monitoring performance targets and a compensation plan.
5) **Engage in effective risk management**. This includes that the Board should regularly identify and assess the risks including financial, operational, reputational, environmental, industry-related, and legal risks.

Dutra (2012) described the five best practices that promote the progression of boards high performance as; (a) ensuring that individual directors and boards as a whole have clear understanding or their roles and duties verses those of management; (b) effective board preparation, meeting management, and communication; (c) active strategic planning and goal setting; (d) code of conduct; and, (e) good board composition. "Companies need boards to help them meet regulatory compliance basics. But the most effective boards are those that easily check that box, while also delivering solid strategic counsel and direction" (Dutra, 2012, para.15). Further, Leblanc (2016), described board best practices as including; (a) recruitment of directors who are independent and have the experience and knowledge required to lead the organization towards success; (b) appointment of a board chair with the skillset to ensure BOD meetings are effective, purposeful, and strategic; (c) developing good board-lead executive relationships; (d) conducting regular board self-evaluation and lead executive evaluation; (e) ensuring directors have a good understanding of their responsibilities and those of the lead executive; and, (f) ensure organizational compliance and integrity.

3.6.1 Director Recruitment

Like any other team or working group, a BOD is only as strong as its weakest link. In order to ensure a strong BOD, "there should be 'a formal, rigorous and transparent procedure' for the appointment of new directors" (Webster, 2011, p. 11). Webster (2011) suggested that boards begin by first evaluating the skills, experience, independence, and knowledge that exist on the board. Next, the board should create a clear description of the director role, and the capabilities required to fill that role. Webster (2011) suggested that the BOD follow four best practices when recruiting board members: (a) use external search consultancies or open advertising in the hunt for candidates; (b) make appointments only on merit and after assessing candidates by means of objective criteria; (c) ensure that candidates for the chairmanship and non-executive roles would have the necessary time to devote to the company; and, (d) set out the terms and conditions of the appointment of non-executive directors – including the expected time commitment.

Leblanc (2016) suggested that creating a checklist of leadership principles when recruiting directors could provide the BOD with a road map for shared leadership practice. Below is Leblanc's leadership checklist for directors when recruiting new board members:

✓Does a prospective director have the capacity to think strategically about the firm's competitive position and thus contribute to the ongoing evolution of its central idea?

✓ Is the board candidate familiar with and experienced in the specific strategic and execution issues derived from the central idea?

✓ Does the would-be director have a proven record of working collaboratively with executives at other companies in developing and implementing business practices stemming from the central idea?

✓Will the prospect add intellectual and experiential diversity to the board, plugging weak spots and adding bench strength for guiding the central idea, strategy, and execution?

✓ Will the candidate be ready to stand tall when vital issues are on the line, the stakes and stress are high, and direct leadership of the company becomes essential?

✓ Does the prospective director generally add real value not only to the boardroom but also to the executive suite? (Leblanc, 2016, p. 39).

Finally, Barlow (2016) suggested a structure to board recruitment that focused on understanding a potential directors': background; skills, abilities, and talents; connections and networks; and, passion for the organizations mission. The majority of NFP board members are considered independent directors because they are not employed by the organization and they volunteer their time to serve on the board (Leblanc, 2016). Leblanc (2016) determined that director independence can be tainted when recruitment best practices are not followed and directors are chosen based on social, business, or family connections with current board members. A volunteer board seeking to recruit new members, may struggle with interview and background checks, be hesitant or, unable to commit the time necessary to do the required background work (Leblanc, 2016). Leblanc provided an extreme example in which he personally observed a director candidate’s approval based on the recommendation of the candidate's wife.

3.6.2 Director On-boarding and Orientation Training

Even the most experienced directors can benefit from ongoing professional development (Webster, 2011). New directors should be provided with an effective on-boarding and orientation process when they join the board (Webster, 2011). Directors, both new and existing, “need both to understand the business they are running, its products, customers and suppliers, and to keep up with the pace of legislative and regulatory change” (Webster, 2011, c.4.12). “Recruiting good board members is only the beginning. To keep them informed, involved, and motivated, the board should continually evaluate itself and commit to effective board practices. Those practices begin with a comprehensive orientation for new board members” (BoardSource, 2012, p. 106). Effective orientations included: (a) providing new directors with a board manual containing all board policies and procedures; and, (b) the active participation of existing directors in the orientation process through mentorship (BoardSource, 2012). Table 5 below provides a framework for successful director onboarding. Typically, the BOD’s nomination committee is deemed responsible to identify, recruit, and on-board suitable candidates for director positions (Chen, 2018). The nomination committee often includes the board chair, the lead executive, and other directors “with relatable expertise” (Chen, 2018, p. 3). It is the Chair’s responsibility to oversee committee meeting, including the nomination committee (Chen, 2018). Lastly, it is critical for a good result that the nomination process itself be rigorous (BoardSource, 2012).

Table 5

New Board Member Orientation Checklist

Orientation activity	By whom?	When?
Organization’s history, mission, vision, values		
Role and expectations of board members		
Bylaws, budget, current members list		
Strategic plan, major goals		
Programs and staff overview		
Facility visit and staff introductions		
Briefing on program strategies and results		
Introduction to committee and advisory groups		
Committee assignments and orientation		
Calendar of meeting and events		
Field visits – if applicable		

Note. Source for the New Board Member Orientation Checklist was BoardSource (2012, p. 107).

3.6.3 Director and Board Evaluation

A BOD is charged with monitoring the organization’s overall performance and determining if it is meeting its mission, fulfilling its legal requirements, and following its financial policies (BoardSource, 2012). To ensure the BOD is meeting these obligations, the BOD should annually assess their own collective and unified performance (BoardSource, 2012). Some characteristics of successful BOD evaluations included: a clear understanding of the purpose, objectives, process, and outcomes of the evaluation; regular, annual evaluations; performance measures and benchmarking of board, committee, executive, and company effectiveness; a written format that is discussed by all concerned parties; and, the evaluation process itself should be evaluated for improvements to be undertaken in the following year (Leblanc, 2016).

There are many excellent tools available to support directors in creating an annual self-evaluation template. For example, Griffin, Larcker, Miles & Tayan (2017) provided an outline identifying three important factors to include in a board evaluation;

(a) how you lead, (b) how you manage, and (c) how you contribute. Miller & Rassart (2013) suggested sample templates including a board evaluation form and a board skills matrix questionnaire. Leblanc (2016) proposed hiring external evaluators who come into the organization and conduct a review of board skills to consider: (a) the structure of the board and its committees; (b) how the board works as a unit, and the tone set by the chairperson; (c) risk management and governance; (d) an evaluation of the strategic review and resource allocation; (e) any people issues, ethical climate, and succession planning; (f) business performance including the level and quality of reporting measures; and, (g) board committees' performance and their relationship with the board. Contained within a Deloitte publication, *The Effective Not-for-profit Board. A Value Driving Force*, by Miller and Rassart (2013) was a suggested a board performance evaluation form. Finally, BoardSource (2012) also suggested the use of board self-assessment survey.

3.6.4 Term limits and Managing Turn over

Leblanc (2016) found that board diversity and renewal, was better supported by placing limitations on both the length of terms and number of successive terms for directors. Additionally, Price (2018) contended that term limits can makes it easy easier to rid the board of unproductive directors and it can provide a mechanism for directors to gracefully step down. Non-profit board best practice for term length is two or three-year with staggered terms toward the best practice of having no more than one-third of the board turn over annually (Price, 2018).

Further, BoardSource (2012) recommended that the board collectively develop and distribute an annual affirmation statement. This statement can then serve as a reminder of director obligations and provides an opportunity for a director to respond, “my life has changed, and I feel I can no longer serve for the coming year” (BoardSource, 2012, p. 116). Table 6 below provides an example of an affirmation statement:

Table 6

Sample Board Affirmation Statement

Board Member Annual Affirmation of Service- sample statement
1. I continue to be fully supportive of our mission, vision, values, goals, and leadership.
2. I understand that board membership requires the equivalent of X days per year of my time, including preparation and meetings. I am able to give that time during the 12 months ahead, and I expect to attend all board and committee meetings unless I give the respective board chair advance notice of my need to be absent for good cause.
3. I intend to contribute financially to the work of our organization during the year and will help open doors to friends who may be interested in contributing to our work.
4. I have reviewed, signed, and intend to comply with our board’s conflict-of-interest policy.
5. [Add other items important to your board.] 6. If anything should occur during the year that would not allow me to keep these intentions of being a positive contributor to our board, I will take the initiative to talk to the officers about a voluntary resignation to allow another to serve who is able to be fully involved.
Signed ________________________ Date __________

Note. Source for Board Member Annual Affirmation of Service- sample statement was (BoardSource, 2012, p. 116).

The next section provides and compares some examples of board self-assessment tools.

3.6.5 Board Evaluation Tools

Griffin et al. (2017) published a Harvard Business Review article titled, *How Boards Should Evaluate Their Own Performance*. Griffin et al. found that; (a) 64% of directors believed their board was open to new points of view, (b) 50% of directors believed their board leveraged the skills of all board members, (c) 46% of directors believed their board tolerated dissent, (d) 46% of directors believed that a subset of directors had an outsize influence on board decisions, a dynamic referred to as *a board within a board*, (e) a typical director believed that at least one fellow director should be removed from their board because the individual is not effective, (f) only 26% of directors believed that their board chair was effective in giving direct, personal, and constructive feedback to fellow directors, (g) 44% of directors believe that their fellow directors do not understand the boundary between oversight and actively trying to manage the company, and (h) 39% of directors' reported that their fellow board members derail conversations by introducing issues that are off topic. Inserted as Table 7, is the BOD evaluation recommendation from Griffin et al. (2017). Griffin focused the evaluation on three key performance areas, (a) chair's effectiveness, (b) meeting evaluations, and (c) director contributions.

Table 7.

How Boards Should Evaluate Their Own Performance

Board Performance Evaluation
Effectiveness of board leadership (Chair): What are the chairs skills and experiences? What is their leadership style? Is it effective in managing the board?
Evaluation of how board meetings are conducted: Are meeting well organized for maximum productivity? Are directors well prepared for meetings? Is full participation from all members, encouraged?
How Directors Contribute: How do board members interact with each other? Do all directors participate in deciding how decisions are made? Do directors exhibit positive behaviors include: asking the right questions; building on others' points of view; framing content in a constructive fashion; and, staying engaged?

Note. The source of the table was Griffin et al. (2017, p. 6-14).

Next, I consider the annual BOD evaluation developed by BoardSource (2012). Included as Table 8 below, BoardSource isolated nine specific areas of performance assessment and prompts the board's directors to identify their effectiveness in each of three areas, namely what (a) the BOD does well; (b) where the BOD needs work; or, (c) not sure.

Table 8

Mini Board Self Assessment Survey

Criteria	Does Well	Needs Work	Not Sure
Organization's Mission Do we use it as a guide for decisions? Does it need to be revised?			
Program Evaluation Do we have criteria for determining program effectiveness?			
Financial Resources Do we understand the organization's income strategy? Do all board members participate actively in fundraising efforts?			
Fiscal Oversight and Risk Management Does the budget reflect our strategic priorities? Do we have a firm understanding of the organization's financial health?			
Relationship with the Chief Executive Is there a climate of mutual trust and respect between the board and the chief executive? Does the executive receive a fair and comprehensive annual performance review?			
Board-Staff Relationship Do all board members refrain from attempting to direct members of the staff? Do board and staff treat each other with respect?			
Public Relations and Advocacy Are all board members actively promoting the organization in the community? Do we understand the organization's public relations strategy?			
Board Selection and Orientation Does the board have the necessary diversity of perspectives and other resources needed? Do new board members get an effective orientation?			
Board Organization Do board meetings make effective use of the time and talents of board members? Do our committees contribute to the effective functioning of the board?			

Note. The source of the assessment was BoardSource (2012, p. 133).

Perhaps the most in-depth board self-evaluation found by this researcher is the Miller & Rassart's (2013) sample board performance evaluation form, inserted as. Figure 8 below. Miller & Rassart's form are within a Deloitte publication titled *The Effective Not-for-profit Board. A Value Driving Force*. Their form provided an overview of board performance in regard to; board composition and quality; board understanding the business, including risks; board processes and procedures; financial oversight; ethics and compliance; monitoring of activities (programs); and, a summary the overall evaluation.

Sample board performance evaluation form

The following questionnaire is based on emerging and leading practices to assist in the self-assessment of an individual director or the full board's performance. It is not intended to be all-inclusive.

When completing the performance evaluation, consider the following process:

- Select a coordinator and establish a timeline for the process.
- In addition to board members completing the form as a self-evaluation, ask individuals who interact with the board members to provide feedback.
- Ask each board member to complete an evaluation by selecting the appropriate rating that most closely reflects his/her performance and the board's as a whole related to each practice.
- Consolidate into a summarized document for discussion and review by the board.

For each of the following statements, select a number between 1 and 5, with 1 indicating that you strongly disagree and 5 indicating that you strongly agree with the statement. Select 0 if the point is not applicable or you do not have enough knowledge or information to rank the organization's board on a particular statement.

The Effective Not-for-Profit Board | A value-driving

Figure 8. Sample board performance evaluation form (Miller & Rassart, 2013, p. 43-47). To view the full version of this tool, see Appendix D.

Above I have discussed and provided samples of three different BOD evaluations; each sample considered board performance at different depths of evaluation. Griffin et al. (2017), see Table 7, is short and requires less time to execute.

BoardSource (2012), see Table 8, provided a slightly more comprehensive assessment tool. Finally, Miller & Rassart (2013), see Figure 8 and Appendix D, provided a comprehensive and detailed analysis tool. Despite the specific tool a BOD chooses to employ, the resources provided above can guide boards to develop appropriate questions about their skills, their performance, and the fulfillment of their duties as directors.

3.6.6 Stakeholder Management

Sexty (2017) determined that stakeholder management was an important mechanism to identify and understand who organizational stakeholder are, their impact on the organization, and the organizations impact on those stakeholders. This understanding allowed organizations to create and manage and leverage those relationships to the organizations advantage (Sexty, 2017). “A governance best practice is for the board to take responsibility for determining the organization’s communications with its stakeholder” (Miller & Rassart, 2013, p. 30). A powerful tool for identifying issues and enhancing performance was introduced by Sexty (2017) and named the Stakeholder Matrix Mapping. “Matrix mapping is a technique of categorizing an organization’s stakeholders by their influence according to two variables, and usually involves plotting them on a two-by-two matrix” (Sexty, 2017, p. 67).

The research outlined why this tool is an important tool for boards who are seeking to become high-performance boards. If used, the tool can provide the NFP organization with valuable, useful insight into its stakeholder relationships and use that insight to, “involve relevant individuals, groups, or organizations by considering their moral concerns in strategic and operational initiatives” (Sexty, 2017, p. 65). Considering the position and importance matrix can assist in a better understanding the impact of organizational actions on its stakeholders (Sexty, 2017). That understanding can provide individuals charged with governance roles the information needed to effectively manage key stakeholder relationships. Per Sexty (2017), key stakeholders typically include the BOD, the CEO, the employees, the NFP client's services, suppliers, contributors/funders, and the public at large. See Figure 9 below for a diagram of Sexty's Stakeholder Matrix.

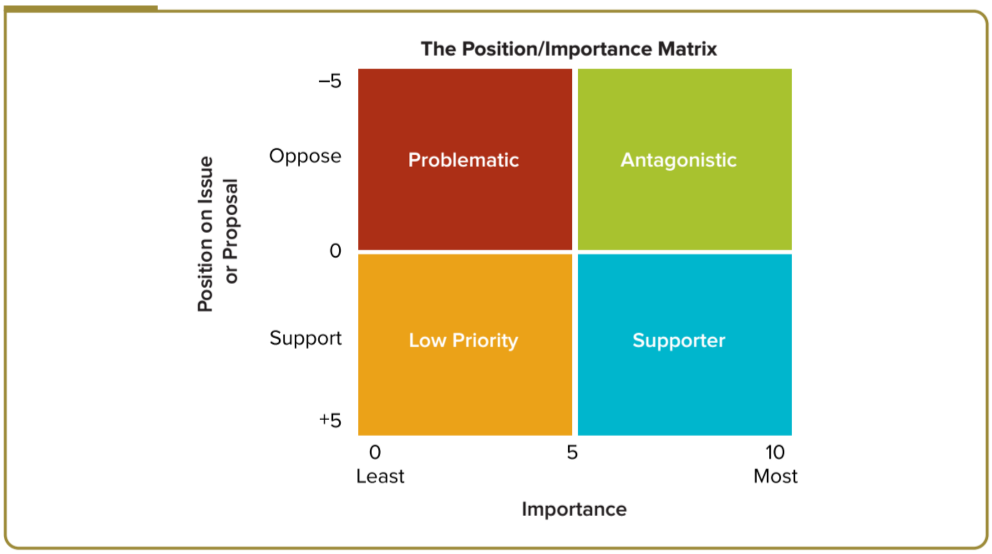

Figure 9. Sexty's stakeholder position and importance matrix (2017, p. 68).

Organizational success in a NFP often depends on BOD identifying and having good relationships with its key stakeholders and identifying and respecting stakeholder expectations (Lindsay, 2008). "Building stakeholder relationships that are reciprocal, evolving, and mutually defined, and that are a source of opportunity and competitive advantage" (Sexty, 2017, p. 77). The next sections provide an overview of the stakeholder analysis process. Understanding stakeholders and building strategic alliances can provide leverage to help NFP organizations fulfill their missions and expand the range of people they serve (BoardSource, 2012). Strategic alliances can take a variety of forms including “public-private partnerships; joint initiatives with organizations with similar missions; partnerships with community groups that reflect your actual or potential constituents; or, contractual agreements with organizations that can help you deliver a service” (BoardSource, 2012, p. 310).

3.6.7 Stakeholder Analysis

As identified by Lindsay (2008) and Sexty (2017), stakeholder management requires strong BOD participation in a NFP settling as it can be a source of both opportunity and competitive advantage. NFP Boards must understands who the organization’s stakeholders are and be able to distinguish between the stakeholders to whom the organization is accountable and those it serves (BoardSource, 2012).
This can be accomplished through stakeholder analysis. The process of stakeholder analysis begins with identifying the stakeholder who are influenced by the organization or who are influencers over the organization (Sexty, 2017). The next steps are to identify if stakeholders are internal or external and recognize their power to positively, negatively or neutrally, influence or impact the organization. Stakeholder power can be further defined as legitimate or urgent (Sexty, 2017). Legitimacy can be defined as, “a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definition that is based on the individual, the organization, or society” (Sexty, 2017, p. 72). Urgency can be defined as, “the degree to which the stakeholder’s claim or relationship calls for immediate attention, and exists when a claim or relationship is of a time-sensitive nature and when that claim or relationship is important or critical to the stakeholder” (Sexty, 2017, p. 72). Finally, please note below as Figure 10, is a

completed example of how the stakeholder impact index plotted on the above Figure 9 was derived.

Example: Stakeholder Impact Analysis for Individual Projects or Project Lifecycle Phases										
Railspur Construction Project - Overall	Stakeholder Attributes (Att)				Class	Support Position (Pos)	Vested Interest (Vi)	Influence (I)	Vested Interest Intensity Index (VIII)	Stakeholder Impact Index (SII)
Stakeholder Group	**Power Value=.4**	**Legitimacy Value = .3**	**Urgency Value = .3**	**Total ATT**	**Dormant, Discretionary. Demanding, etc.**	**1(Neg) to 0(Neutral) to 1(Positive)**	**1 to 5, where 1 is low and 5 is high**	**1 to 5, where 1 is low and 5 is high**	√(Vi*I/25)	Att*Pos*VIII
Employees		0.3	0.3	0.6	Dependent	1	4	1	0.40	0.24
Suppliers		0.3	0.3	0.6	Dependent	1	3	2	0.49	0.29
General Public		0.3		0.3	Discretionary	0.5	3	2	0.49	0.07
Government/ Regulatory	0.4	0.3		0.7	Dominant	0.1	3	5	0.77	0.05
Aboriginal		0.3	0.3	0.6	Dependent	-1	5	2	0.63	-0.38
Media		0.3		0.3	Discretionary	0.1	3	4	0.69	0.02
Environmental/ NGOs		0.3	0.3	0.6	Definitive	-1	5	3	0.77	-0.46
Corporate	0.4	0.3		0.7	Dominant	0.5	5	5	1	0.35
Total Project Risk										**0.19**
This analysis demonstrates that overall, the project will have positive stakeholder impact (cumulative score of .19). However, note that two groups–Aboriginal and Environmental NGOs –demonstrate negative scores of -.38 and -.46 respectively. This suggests that communications and relationship building should prioritize these two groups, witha focus on informing, engaging and responding. Note that they are also low on power, but if they were to gain the support of the Government/Regulatory agencies, they could increase their power, and thus the overall impact on the project. It will be therefore important to ensure that the Government stakeholders are kept apprised of developments in an objective and consistent manner, to avoid creating an information vaccuum that other stakeholder groups can fill.										

Figure 10. Example: Stakeholder Impact Analysis (Athabasca University, 2019).

Once the BOD understands stakeholder impact, it can work towards stakeholder collaboration strategies that focus on creating mutual benefit linked to long-term organizational goals (Sexty, 2017).

3.6.8 Governance and Organizational Sustainability

Strategic leaders align the organization to strategies that can propel the organizations to live its mission and achieve its vision (Hughes et al., 2014). “Sustainability is balanced pursuit of three goals mutually: ecological health, social equity, and economic welfare” (Leblanc, 2016, p. 632). Sustainable success refers to how, “business enterprises are aligned with the requirements of their social and natural environment but are closely in touch with both their business purpose and their generation of long-run profitability" (Grant, 2016, p. 53). "Good governance is a culture, a climate, and a set of behaviors that are exhibited throughout the organization, followed everywhere and every time, without written instruction or explicit mention" (Leblanc, 2016, p. 629). High performance boards are sustainable boards and, "all organizations and, as their stewards, boards of directors, are responsible for a sustainable future" (Leblanc, 2016, p. 632). Table 9 below, is Leblanc's (2016) series of questions a BOD should be considering regarding organizational sustainability. The questions suggested by Leblanc focus directors on the topics of sustainability vision, stakeholder engagement, risk management, building sustainable boards, and integrating sustainability into the organization.

Table 9.

Sustainability Questions for Responsible Board Members

Does the board have a Sustainability Vision that includes; • all areas of sustainability, such as safety, health, environmental and community; • the impact; human rights, labor rights, anticorruption, and business ethics and; • the highest standards of conduct in all the jurisdictions that the corporation operates in.
Stakeholder Engagement: • Has an Adequate Stakeholder Engagement Process Been Conducted? • Does the board have access to the key issues raised by this process?
Risk Management: • Have the Material Issues that Would Substantively Affect the Company's Strategy, Business Model, Capital, or Performance Been Properly Identified? • Have the trends' current and future impacts been considered?
Building Sustainable Boards: • Does the board have sufficient expertise to understand the decision-making processes of key stakeholders? • Does the board have members who are familiar with the evolving sustainability standards and benchmarks? • Does the board have enough diversity to adequately evaluate the different dimensions, perspectives, and risks of the sustainability issues? • Does the board conduct a regular self-evaluation exercise that incorporates the board's approach and effectiveness in providing guidance and oversight on sustainability issues?
Integrating Sustainability into the Organization: • Has the corporation allocated sufficient resources to address the key sustainability issues including; • financial resources, • organizational/human resources, • Intellectual resources and, • How does the board ensure itself that the sustainability reporting by the company is adequate, appropriate, and verifiable?

Note: Source of the table was Leblanc (2016, p. 636).

Both the competitive pressures and the increasing expectations of stakeholders call for continuous learning and development from corporations. Therefore, the board needs to take action to ensure that the sustainability agenda of the corporation is an integral part of the culture and its systems assure learning and continuous improvement (Leblanc, 2016).

3.7 Literature Review Conclusion

While conducting this literature review, I considered if and how the selected research resources explored governance best practices that result in a high-performing non-profit board of directors. The themes covered within this literature provide a basis of understanding for directors, outlining what strategic management is, and what board governance constitutes. I described the Shared Leadership Framework while comparing it to two other leadership models. Additionally, a description of the attributes of a high-performance board were highlighted. Next, the topics lead the reader through a description of the role of a board and all the duties, responsibilities, legislative responsibilities, and fiduciary duties that come with the job of director. The research topics considered also highlighted some of the consequences of director and board failures. Lastly, the topics lead the reader through a series of governance best practices that can lead an NFP board towards high-performance.

The literature included a variety of tools and matrixes that boards can consider implementing to support best practice development towards achieving high-performance governance. The research provided commentary around identifying organizational stakeholders, analyzing their needs and wants, and managing them effectively. The research also considered the concepts of high-performance and good governance as pathways to organizational sustainability and the fulfillment of organizational goals and strategies. Next, I discuss the research design and secondary data collection.

4.0 Research Design and Secondary Data Collection

The purpose of this project was to identify governance best practices that result in a high-performing non-profit board of directors. This applied project was a conceptual paper that relied on secondary data found during a literature review. Relevant secondary source data focused on strategic management and governance effectiveness and was selected, reviewed, and utilized to compile evidence-based support for creating a high-performance board of directors in NFP organizations. This qualitative approach focused on the content analysis of secondary sources of data, making unnecessary an ethics application from Athabasca University.

4.1 Data Sourcing

Athabasca University's (AU) Master of Business Administration (MBA) degree program focuses on developing an understanding of best practices for corporate leadership (Athabasca University, 2019). The MBA program gives leaders the tools needed to lead an organization to sustainable success. The program strives to "develop the advanced leadership and management skills needed to succeed in any sector" (Athabasca University, 2019, p. 1). Excellent organizational leadership in an NFP organization begins with excellent governance in the form of a high-performance board of directors. Strong organizational leadership begins with the board of directors and how they partner with and support an effective CEO. The quality of the materials supplied for the AU MBA program were impeccable. Additional data sources were acquired through the Athabasca University Library, through the Vital Source bookstore, and through internet searches. Specific sources of reference material included textbooks, e-books, journals, and articles.

Research materials sourced for this applied project covered literature from the past 10 years as the global financial crisis of 2008-2010 highlighted the pitfalls of poor corporate governance and the importance of governance accountability (The Perils of Poor Governance, 2017). Further, the 2010 failures in the U.S. banking industry marked the beginning of changes to public expectations around improved governance accountability (Guynn, 2010).

4.2 Data Selection

The quantity of data available around effective leadership, successful governance, and linking leadership and governance to organizational effectiveness was daunting. The paper focused specifically on literature that supported the strategic leadership framework and the shared leadership framework, that is, literature that focused on building not-for-profit governance teams who aspire to create high-performance leadership.

To ensure that research materials were of the highest quality, the researcher incorporated Schall's (2014) suggestions. Specifically, I considered the: authors credibility; authors professional affiliations; resources' verifiability; resources' content for fact-based information, if it is objective, and if it is current; and, sources that the author has cited to ensure that they credible and current and if they objective or biased.

I followed the guidance provided by Pennsylvania State University (2014) for when to provide a source. For example, information that always must be cited—whether web-based or print-based—includes:

- Quotations, opinions, and predictions, whether directly quoted or paraphrased;
- Statistics derived by the original author;
- Visuals in the original;
- Another author's theories;

- Case studies;
- Another author's direct experimental methods or results; and,
- Another author's specialized research procedures or findings. (Schall, 2014, p. 1).

Determining the credibility of resources was tricky. To enhance this secondary research project, researching the authors and their affiliations was an important step. Further, determined the authors' credibility, motivations for creating the resource to ensure that the resource was appropriate for my project. Resources had to clearly articulate the authors and source credentials and qualifications. Materials had to be up to date. The importance of determining the author/source credentials and affiliations provided an understanding of why the resources had been created, that is, to provide information or, to convince and, to identify the author or affiliate's ulterior motive for creating the resource, if any (Illinois State University, 2019).

5.0 Statement of Results

This project was a secondary source of data literature review, that focused on (a) best practices for creating high-performance non-profit boards of directors, and (b) the organizational benefits of having high-performance governance. I expected the research to support four primary areas. First, it was expected that the literature review would support the idea that creating and maintaining a high-performance board of directors could improve board function and lead to improved organizational performance. Second, it was expected that this research will yield several high-quality tools to aid NFP boards of directors in assessing and improving their performance. Third, the research was expected to show that boards who have a clear understanding of their responsibilities, governance best practices, and the importance of self-evaluation tend to follow governance best practices and through those best practices, become high performance governance. Finally, I expected to confirm that high-performance boards are far more likely to lead their organizations towards sustainable organizational success and organizational strategy fulfillment.

5.1 Theory

Upon consideration of the results and analysis of research themes, I have provided a series of best practice recommendations targeting leaders of non-profit organizations that wish to develop a high-performing board of directors. Strong governance sets the organizational strategic direction, the organizational culture, and is attuned with its stakeholders, staff, and CEO (Sexty, 2017). Strong governance strives to be its best and seeks continuous improvement through self-evaluation and alignment with core values (Dutra, 2012). "The power of the board comes from the ability of the directors to effectively work together and leverage their collective knowledge and experience" (Leblanc, 2016, p. 200). Thus, the success of the organization hinges on the performance and success of its governance.

The recommendations that arose from this research may serve as an instruction manual or guide for NFP sector organizations and their leadership. Through an understanding and implementation of governance best practices, leaders may create success and long -term sustainability for their organizations. Non-profit organizations come in a variety of sizes, scopes and funding streams. Organizations in the NFP sector provide a wide variety of services targeting a variety of stakeholders and beneficiaries (BoardSource, 2012). Their commonality is that each has a board of directors who, "believe in and support its particular mission" (BoardSource, 2012, p. 1).

This secondary applied research project may provide boards of directors with an understanding of their roles and responsibilities and a framework of governance best practices. The research highlights how the application of best practices can aid the board to reach a high-level of performance in support of the organization's mission and strategic goals and create organizational stability and sustainability.

5.2 What is a high-performance Board of Directors?

Boards of directors are formed to act as the mechanism through which governance takes place (Business Dictionary, 2019). Effective corporate governance leads an organization to regulatory compliance and delivers value creating strategic direction and guidance (Dutra, 2012). "Boards tend to progress from good-to-great along a four-phase continuum; (a) foundational, (b) developed, (c) advanced, and (d) strategic. Essential to creating a high-performance board is agreement and alignment, at the outset, on where the board actually stands in this continuum and where it needs to be" (Dutra, 2012).

Effective governance focuses on contributing to the success of the organizations' overall objectives and, utilizes resources effectively and in the best interests of their stakeholders (Miller & Rassart, 2013). High-performing boards ensure their organization has established a strong governance framework that can, "ensure productivity, accountability, and delivery of the organizational mission, ethically and sustainably" (Taylor, 2014, p. 1). Further, "high-performing boards confirm the theory that the whole is stronger and more effective than the individual parts" (BoardSource, 2012, p. 40). To ensure the high-performance of an NFP board, each individual member and the BOD as a collective, must understand and adhere to governance best practices. (BoardSource, 2012). Finally, high-performance boards of directors are accountable; independent; have knowledgeable, experience and integrity; have clear understanding of their roles and responsibilities; and, are engaged with stakeholders and shareholders (Moore, 2010).

5.3 What is governance best practices that result in a high-performing non-profit board of directors?

Kenton (2019), defined best practices as, “a set of guidelines, ethics or ideas that represent the most efficient or prudent course of action, in a given business situation. Best practices may be established by authorities, such as regulators or governing bodies, or they may be internally decreed by a company's management team” (p. 1). High-performance boards leverage best practices to establish governance frameworks that provide optimal conditions for high-performance governance (Taylor, 2014, p. 18). Organizations benefit when boards embrace best practices through; “increased ability to raise capital and secure debt, recruit and retain talent and qualified directors, and, their ability to meet organizational strategic goals and the demands and expectations of stakeholders (McInnes Cooper, 2014).

5.4 Why should Board’s evaluate their own performance?

Boards leverage best practices to establish frameworks that enable them to fulfill their fiduciary obligations to the organization (Taylor, 2014). To ensure the BOD is meeting these obligations and fulfilling the duties and responsibilities of its office, they should annually assess their member performance, and their collective and unified performance (BoardSource, 2012). Griffin et al. (2017) suggested that regular board evaluations can highlight or bring attention to governance shortcomings such as: (a) board or director lack of knowledge, skills, and experience; (b) flaws in board recruitment and retention processes; (c) understanding if board or committee meetings are well organized, focused, productive, and encourage the participation of all members; and, (d) understand if directors and the board as a whole are clear on the boundary between governance oversight and organizational management by the lead executive.

In the United Kingdom, the United States, and India, FP publicly listed companies are now subject to mandatory board evaluations (Leblanc, 2016). Leblanc (2016) acknowledged that regular board evaluation is a recommended best practice over most of the world in both NFP the and FP sectors. Further, a regular performance evaluation of individual directors can ensure that directors are adhering to board policies and highlight or examine real or perceived conflict of interest (Pealow & Humphrey, 2013). Finally, holding a regularly scheduled whole board performance evaluation served to assess and evaluate how well the board is adhering to its own governance policies and, if the board is aligned with and achieving organizational goals (Pealow & Humphrey, 2013). Having considered the results of the secondary research, I will now discuss the analysis.

6.0 Analysis

The secondary applied research completed for the project offers NFP directors a series of best practices in governance. Review of the research can deepen a director's understanding of their responsibilities regarding duty of loyalty, duty of care, fiduciary duty, and the importance of developing of a good working relationship with the organization's lead executive, typically a CEO or an ED. A strong board empowers a strong CEO/ED. When the lead executive and the board work together as a team, they can more effectively lead the organization towards successful achievement of organizational goals. According to Leblanc (2016), successful strategic management is reliant upon board governance. Good board governance includes that the board work collaboratively together and with senior management to develop strategies and create policies that are aligned with, and bolster, organizational strategic goals. When considering the results, I determined there were four key themes suggested by the literature. Each theme is discussed next.

6.1 Understanding the Function of Governance

The Business Dictionary (2019) defined governance as an "establishment of policies, and continuous monitoring of their proper implementation, by the members of the governing body of an organization" (p. 1). Members of that governing body are collectively known as the BOD (BoardSource, 2012). Thus, the BOD is formed to act as the mechanism through which governance takes place (Business Dictionary, 2019). Each board director is individually appointed or elected by the corporation's membership with a primary purpose of acting on behalf of the corporation's membership to set and monitor organizational strategy (Pealow & Humphrey, 2013). Directors provide "human accountability for corporate behavior and performance" known as fiduciary responsibilities (Leblanc, 2016, p. 249). Leblanc further described directorship as "a fiduciary activity that involves acting in the interests of something else (the company) and not for personal ends or the interests of third parties" (2016, p. 252). Slack et al. (2016) suggested that the alignment of, corporate policies and strategic priorities is the focus and objective of strategic management. In terms of governance then, the term strategy, in a broad sense, refers to a method designed by an organization to achieve its goals (Grant, 2016).

6.2 Governance Best Practices

Nine governance best practices were collectively suggested by Miller and Rassart (2013), Dutra (2012), Leblanc (2016), and, McInnes Cooper (2014). A synthesis of these best practices included: (a) build a skills-based board with members who have the knowledge, skills, experience, and ability to create value for the organization (Dutra , 2012; Leblanc, 2016; McInnes Cooper, 2014); (b) conduct a regular board self-assessment to ensure gaps in member knowledge, skills, experience, and abilities are identified and appropriately corrected (Leblanc, 2016; McInnes Cooper, 2014); (c) conduct regular lead executive performance evaluation to monitor and correct performance targeted at achieving strategy set by the board (Leblanc, 2016; McInnes Cooper,2014); (d) clearly define the strategic roles and responsibilities of whole board, individual directors, and the operational role of the lead executive (Dutra, 2012; Leblanc, 2016; McInnes Cooper, 2014); (e) support ethical board conduct by developing a process for managing BOD conflict (Dutra , 2012; Leblanc, 2016; McInnes Cooper, 2014); (f) establish a policy and process for director recruitment and orientation (Leblanc, 2016; McInnes Cooper, 2014; Miller & Rassart, 2013); (g) develop collaborative, strong working relationship between the BOD and the lead executive (Dutra, 2012; Leblanc, 2016); (h) appoint an effective BOD chair to oversee board preparation, planning, and communication (Dutra, 2012; Leblanc, 2016); and, (i) regularly review all compliance requirements and risk mitigation strategies (Dutra, 2012; Leblanc, 2016; McInnes Cooper, 2014; Miller & Rassart, 2013).

6.3 Highlighting Governance Self-Evaluation

Boards who clearly understands their responsibilities can begin to evaluate their performance around those responsibilities and improve their effectiveness (BoardSource, 2012). Grant (2016) determined that it is the function of organizational leaders and governance practitioners to develop, implement, and monitor strategies that establish direction while managing risk and carrying out fiduciary duties and responsibilities. Directors must act in the best interest of the organization versus a vested self-interest (Grant, 2016).

Further, under Canadian corporate law, directors are charged with fiduciary duty, duty of loyalty, and duty of care (Leblanc, 2016). Fiduciary duties place an onus on directors to make decisions affecting organizational opportunities and property that will predominantly consider how and if there is benefit to the organization and protection of its assets (Leblanc, 2016). Fiduciary duties also encompass a legal responsibility to ensure that the organization remains true to its mission while maintaining compliance with all applicable federal and provincial laws (BoardSource, 2012). Duty of loyalty requires that, whenever the director's act on behalf of the organization in a decision-making capacity, they must set aside their own personal and professional interests to ensure that the organization's needs come first (BoardSource, 2012). The Duty of Care requires directors to exercise a reasonable amount of care, skill, and diligence in the execution of their duties (Leblanc, 2016). The Duty of Care specifically refers to a director's "responsibility to participate actively in making decisions on behalf of the organization and to exercise their best judgment while doing so" (BoardSource, 2012, p. 6). Parties charged with organizational governance must measure the success of that governance structure and evaluate how well it has performed while fulfilling its legal requirements (BoardSource, 2012). Directors, and the board as a body politic, must behave ethically and fulfill their fiduciary duties, duty of loyalty, and duty of care over-sight (BoardSource, 2012). Included earlier in Section 3.6.5 are three suggested tools to guide board leaders through the self-evaluation process.

6.4 Evaluating Stakeholders in NFP Organizations

Organizational success in an NFP often depends on BOD identifying and evaluating stakeholders, their expectations, and building good relationships with those key stakeholders (Lindsay, 2008). Sexty (2017) stated that stakeholder management is important and is a mechanism to identify and understand who organizational stakeholder are, their impact on the organization, and the organizations impact on those stakeholders. When leaders understand who key stakeholders are and how they impact or are impacted by the organization, it enables them to foster, manage, and leverage those relationships to the organizations advantage (Sexty, 2017). "A governance best practice is for the board to take responsibility for determining the organization's communications with its stakeholder" (Miller & Rassart, 2013, p. 30).

The process of stakeholder evaluations begins with identifying the stakeholder who are influenced by the organization or who are influencers over the organization (Sexty, 2017). The next steps are to identify if stakeholders are internal or external and analyze and understand if they have power to positively, negatively, or neutrally, influence or impact the organization. A powerful tool for identifying issues and enhancing performance was introduced by Sexty (2017) and named the Stakeholder Matrix Mapping. "Matrix mapping is a technique of categorizing an organization's stakeholders by their influence according to two variables, and usually involves plotting them on a two-by-two matrix" (Sexty, 2017, p. 67). Evaluating and leveraging stakeholders can create both opportunity and competitive advantage for an organization (Sexty, 2017). Having considered the four themes fostered from the applied research results, next I provide a series of recommendations.

7.0 Recommendations

The purpose of this applied research project was to identify governance best practices that result in a high-performing non-profit board of directors. A goal was to rationalize to NFP board directors, organizational leaders, and their stakeholders, the urgency of creating a high-performance board. The research question asked what is governance best practices that result in a high-performing non-profit board of directors? To answer that question effectively, the research first had to establish (a) what governance encompasses and who is responsible for it; (b) the duties and responsibilities of directors and boards; (c) the function governance serves; (d) what a high-performance board is and does; and, (e) how do governance best practices support the development of a high-performance board of directors. Having considered the research wholly, the following six recommendations highlight the governance best practices that result in a high-performing non-profit board of directors.

7.1 Director Recruitment

First, to ensure the board is comprised of the right mix of skills and leadership aptitudes, I recommend that the boards follow Webster's (2011) recommendations to develop a formal policy and rigorous and transparent processes for the recruitment of directors. Webster (2011, c.4p. 11) suggested that boards should begin by evaluating the skills, experience, independence, knowledge, and service terms for existing directors. Next, boards should then create a clear description of the director role. Finally, having the skills matrix mix and the director role defined, a list of the capabilities required should be constructed prior to recruitment. High-performance boards of directors do not materialize, they are created and developed through best practices. That creation begins with director recruitment, onboarding, and orientation. People with the knowledge, skills, abilities and other attributes of strong governance, build strong boards. The research outlines clear best practices and provides tools to support these processes. Establishing a board of directors who possess the attributes needed to create a high-performance board is foundational towards effective governance.

7.2 Formal On-Boarding Process

Second, I recommend boards follow the advice from BoardSource (2012) to develop a formal policy and process to on-boarding new directors. A formal on-boarding process should involve a comprehensive orientation for all new directors and may include role specific training i.e. new finance and audit committee members. Effective on-boarding and director orientations include: (a) providing new directors with a board manual containing all board policies and procedures; and, (b) the active participation of existing directors in the orientation process through mentorship (BoardSource, 2012, p. 107).

7.3 Annual Performance Evaluation

Third, to maintain a strong performance culture BoardSource (2012) considered the performance evaluation of individual directors important. I recommend boards develop a formal policy and a process to annually evaluate the performance of individual directors and the BOD as a collective. Annual or regular evaluation is necessary to ensure the BOD is meeting fiduciary obligations, and performing well as a governing body (BoardSource, 2012). Often delegated to the Governance Committee for execution oversight, the annual BOD evaluations should include a clear understanding of the purpose, objectives, process, and outcomes of the evaluation. Leblanc (2016) noted that establishing a feedback loop of annual benchmarking enables improvements to be planned into the annual workplan of the board and its committees. Established boards of directors must regularly and continuously evaluate their own performance to identify gaps in that performance and their overall knowledge scope. This applied project provided three examples of tools to help boards evaluate their own performance.

7.4 Term Limits

Fourth, to ensure consistent board refreshment, I recommend boards set clear directors term limits, including length of term and number of successive terms. Leblanc (2016) determined that board diversity and renewal, was supported by placing limitations on both the length of terms and number of successive terms for directors. Further, Price (2018.) found that term limits can provide a mechanism for unproductive directors to gracefully step down. Board of directors must establish terms of office for directors, to ensure continuous board renewal and refreshment.

7.5 Stakeholder Management

Fifth, I recommend NFP boards create a formal ongoing process to evaluate and manage organizational stakeholders. As identified by Lindsay (2008) and Sexty (2017), stakeholder management requires strong BOD participation in an NFP settling as it can be a source of both opportunity and competitive advantage. “A governance best practice is for the board to take responsibility for determining the organization’s communications with its stakeholder” (Miller & Rassart, 2013, p. 30). Really effective governance considers its stakeholders, including who they are, if they are dependent upon the organization or vice-versa. In understanding who stakeholders are and the direction of dependence, an effective board will be able to understand and manage the impact the organization and the stakeholders may have on each other. Leveraging stakeholder relationships can prove advantageous for organizations and is powerful in mitigating organizational risk. This applied research project includes a best-practices tool to assist governance in identifying and analyzing stakeholders.

7.6 Effective Delegation

Finally, I recommend that the board create clearly delineating the role of board chair and the directors in terms of management oversight and contrast that with the role of the lead NFP executive. Per BoardSource (2012), to better support individual directors, and the collective board, from getting mired in the day-to-day operations clear delegation to management is essential. Proper education of directors will ensure that their focus is on monitoring that the work of lead executive remains aligned to the organization’s mission, direction and priorities (Eisenstein, 2019). Board Source (2012), defined the BOD’s role as one of oversight and guidance, while the lead executive and senior staff remain responsible for organizational management and operations. For example, BoardSource found that the “responsibility for program evaluation belongs to the staff, but the board needs to know whether programs are successful and why, or why not” (2012, p. 29). Should a NFP board undertake to implement these six governance best practice recommendations, it could result in becoming a high-performance NFP board of directors.

8.0 Conclusions

The purpose of this applied research project was to identify governance best practices that result in a high-performing non-profit board of directors. The research question asked *what is governance best practices that result in a high-performing non-profit board of directors?* The NFP sector is reliant upon volunteer directors to fulfill the role of governance. One of my goals for this applied research project was to provide volunteer directors an understanding and rationale for governance best practice and how those individually can contribute to building effective governance outcomes. The research was bolstered further by being focused through a strategic management lens.

High-performance boards must seek to understand, accept and implement governance best practices. Governance best practices are guidelines or ethical practices that represent the most effective, ethical and efficient course of action towards fulfilling specific governance duties and responsibilities. A board of directors who strives to establish, implement and maintain governance best practices is a high-performance board of directors. The research sought to identify key best practices and make recommendations around the adoption and implementation of those practices.

There were several key learnings and recommended actions that may benefit leaders considering this applied secondary research study. The six best practices that I recommend NFP boards implement include activities related to; (a) director recruitment, (b) formal on-boarding and orientation processes, (c) annual performance evaluation of the board and each director, (d) imposing term limits, (e) implementing stakeholder management, and, (f) ensuring effective delegation to the lead executive. Having effective board recruitment, orientation, and self-evaluation policies and process that, clearly highlight director roles and responsibilities mitigates risk for directors and the organization. Further, NFP boards must evaluate and understand their stakeholders in order to build relationships that are advantageous, reciprocal and create value for the organization. Finally, one of the largest insights gained through this research was that the need to clearly define the role of the chair and board in order to have effective delegation to the organisation’s lead executive. A board can assure effective delegation to organizational management by starting from a clear understanding of each other’s roles, responsibilities, and delegated authorities. A great starting place for effective delegation is to create a policy document that captures effectively and articulates clearly what the director’s role *is not* as much as what their role is.

In closing, my work experience encompasses approximately 11 years as a lead executive in an NFP organization. I have personally faced the need for, and the lack of, consolidated information regarding best practices that build high-performance NFP boards. I have noted some well-meaning literature can inherently mislead directors to misinterpret the scope of their board and governance duties. The six best practice recommendations distilled from the secondary applied research will be useful to an NFP board. In addition, the insights shared in the recommendations could be of great value to incoming NFP lead executives. Finally, the research framework affirmed to both lead executives and directors the importance of *staying in their lane* when executing on behalf of the organization (Eisenstein, 2019). I recommend for future researchers take a deeper dive into how board and staff relations can impact a NFP organization.

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10.0 Appendix A: Form 1 Articles of Incorporation

Please Note: In order to print this form correctly, you MUST USE the print button located at the bottom of the form.

Close/Fermer | Form/Formulaire

Ontario

Ministry of Government Services

Companies and Personal Property Security Branch
Suite 200
393 University Ave
Toronto ON M5G 2M2

Articles of Incorporation
Form 1
Business Corporations Act

Instructions for Completing

This form together with required supporting documents and fee, must be filed with the Ministry to incorporate an Ontario business corporation under the *Business Corporations Act*.

Articles in duplicate may be mailed to the Toronto address listed below. For over-the-counter service articles may be filed in person at the Toronto office or at some Land Registry/ServiceOntario offices in Ontario. For a list of locations see the "Offices That Endorse Articles Submitted Under the *Business Corporations Act*" information sheet or visit the ServiceOntario web site at: www.ServiceOntario.ca.

Electronic Filing of Articles of Incorporation is available through Service Providers under contract with the Ministry of Government Services. For information about Service Providers visit the ServiceOntario website at: www.ServiceOntario.ca.

Fee

$360.00 BY MAIL - Cheque or money order payable to the Minister of Finance.
IN PERSON – (at the Toronto office) – cash, cheque or money order payable to Minister of Finance, Visa, MasterCard, American Express or debit card. (If you are filing the documents at a Land Registry or ServiceOntario Office, call first to confirm whether credit or debit cards are acceptable).

There will be a service charge payable for any cheque returned as non-negotiable by a bank or financial institution.

Supporting Documents

Name Search

If you are incorporating under a name instead of a number name, you must obtain an Ontario-biased NUANS report for the proposed name. NUANS is a computerized search system that compares a proposed corporate name or trade-mark with databases of existing corporate bodies and trade-marks. This comparison determines the similarity that exists between the proposed name or mark and existing names in the database, and produces a listing of names that are found to be most similar. This search must be submitted together with the duplicate Articles of Incorporation within 90 days from production by the NUANS system. For example, articles submitted on November 28th could be accompanied by a NUANS name search report dated as early as August 30th, but not dated earlier.

The Companies and Personal Property Security Branch does not provide this search. Suppliers are listed in the Yellow Pages under the heading "Searchers of Records" or visit Industry Canada's NUANS site at, www.nuans.com for a list of registered search houses that can assist you with obtaining a NUANS search report and filing your corporate documents with the Ministry of Government Services. Please note the NUANS search **must be Ontario biased**.

It is the applicant's responsibility to check the search for similar/identical names and to obtain any consent that may be required. The Ministry will not grant a name that is identical to the current name or former name of another corporation operating in Ontario whether active or not, unless it has been more than ten years since the other corporation dissolved or changed its name. The only exception to this rule is when the corporation meets the requirements of Subsection 6(2) of Regulation 62 under the *Business Corporations Act*. In this case a legal opinion must accompany the articles being filed. The legal opinion must be on legal letterhead and must be signed by an individual lawyer (not a law clerk or law firm). It must also clearly indicate that the corporations involved comply with Subsection 6(2) by referring to each clause specifically.

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Note. The source for the Form 1 was the Ontario government's(2019) central forms repository.

11.0 Appendix B: Form 2 Application for Incorporation of a Corporation without Share Capital

Ontario

Ministry of Government and Consumer Services

Central Production and Verification Services Branch
393 University Avenue, Suite 200
Toronto ON M5G 2M2

Application for Incorporation of a Corporation without Share Capital
Form 2
Corporations Act

INSTRUCTIONS FOR COMPLETING APPLICATION FORM

FEE

$155.00 BY MAIL - Cheque or money order payable to the Minister of Finance.

IN PERSON - If you are delivering the application in person, you can also pay by cash, Visa, MasterCard, American Express or debit card. The address for personal delivery is 375 University Ave., 2nd floor, Toronto. Please note these documents are not checked while you wait, they take several weeks to process.

There will be a service charge payable for any cheque returned as non-negotiable by a bank or financial institution.

DOCUMENTS REQUIRED

1. Application for Incorporation of a Corporation without Share Capital, Form 2, as prescribed by the Ontario Regulations under the *Corporations Act*, completed in duplicate and bearing original signatures on both copies.
2. An original, Ontario-biased NUANS name search report for the proposed name of the corporation. The search report must be submitted with the application within 90 days of the production of the report.
3. A covering letter, setting out the name, address and telephone number of the person or firm to whom the Letters Patent, or any correspondence, should be mailed.
4. If the proposed name of the corporation is similar to the name of an existing corporation, organization, registered business or includes the name of a person, Central Production and Verification Services Branch may require consent to the use of the proposed name from the corporation, organization, business or individual.

APPEARANCE OF DOCUMENTS

The Application for Incorporation, and any supporting documents must be typewritten, or if completed by hand, printed in CAPITAL letters in black ink. All documents must be legible and suitable for microfilming.

Forms, extra pages and any supporting documents, must be printed on one side of good quality white bond paper 8 ½" by 11". Facsimile (Fax) applications, or supporting documents, cannot be accepted in lieu of original copies.

Pages are numbered 1 through 4; applications with missing pages cannot be accepted. If additional pages are required due to lack of space, they *should be numbered the same as the original page with the addition of letters of the alphabet to indicate sequence. For example, supplementary pages for the objects Item 4 on page 2, would be numbered 2A, 2B, etc. Do not attach schedules to the form. The last page should be the signing page.*

CORPORATE NAME

Prior to completing the form, the applicants should determine if the proposed corporate name is available for use. To do this they must obtain, from a name search company, an original Ontario-biased NUANS name search report for the name under which the corporation is to be incorporated.

Name search companies are listed in the Yellow Pages of the telephone directory under "Searchers of Records". The original, six-page name search report should be submitted with the application. The name set out in the application must be exactly the same as the name set out in the name search report. Reports received more than 90 days from the date they were produced will not be accepted and a new report will be required.

Note. The source of the form was the Ontario government's (2019) Central forms repository.

12.0 Appendix C: Guide: Creating an Effective Terms of Reference

Note. The source for this resource was Health Quality Ontario (2016).

13.0 Appendix D: Sample Board Performance Evaluation Form

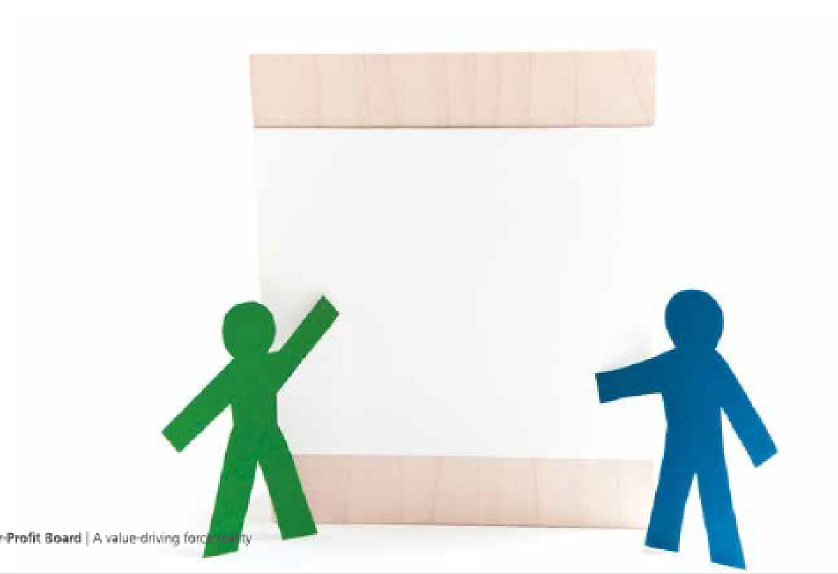
Appendix C
Sample board performance evaluation form

The following questionnaire is based on emerging and leading practices to assist in the self-assessment of an individual director or the full board's performance. It is not intended to be all-inclusive.

When completing the performance evaluation, consider the following process:

- Select a coordinator and establish a timeline for the process.
- In addition to board members completing the form as a self-evaluation, ask individuals who interact with the board members to provide feedback.
- Ask each board member to complete an evaluation by selecting the appropriate rating that most closely reflects his/her performance and the board's as a whole related to each practice.
- Consolidate into a summarized document for discussion and review by the board.

For each of the following statements, select a number between 1 and 5, with 1 indicating that you strongly disagree and 5 indicating that you strongly agree with the statement. Select 0 if the point is not applicable or you do not have enough knowledge or information to rank the organization's board on a particular statement.



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Note. The source of the evaluation from was Campbell (2011, p. 42).