

Capacity Building for Governance

A Literature Review

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Introduction

The United Way of Calgary and Area seeks to improve lives and build extraordinary communities by engaging individuals and mobilizing collective action. Their promise is to create a great city that is great for everyone. To this end, the United Way of Calgary and Area believes that investing in strong organizations and communities is one way in which they can create a better future.

As part of United Way's commitment to ensuring the effectiveness and sustainability of the non-profit community, a series of literature reviews on various areas within capacity building have been developed. This particular review on 'Capacity Building for Governance' is one in that series. It is intended that these reviews will not only inform United Way on how to support capacity building in the area of governance and avenues of possible investment, but also be of interest and utility to the community of non-profit organizations within Calgary and surrounding area.

Why Capacity Building?

"Capacity building well done in the nonprofit sector, I believe, is a critical answer to the extraordinary uncertainty we face and also to the tremendous political pressure under which most nonprofits are operating. Capacity building right now is arguably the most important investment the nonprofit sector can make." (Paul Light)

The United Way of Calgary and Area has a long history supporting the development and overall capacity of non-profit organizations within Calgary. For more than a decade the organization has offered capacity building grants in a variety of areas, such as: evaluation, HR, leadership, and infrastructure support.

Certainly, capacity building has received growing attention over the past 20 years¹. This enhanced interest in capacity building has occurred simultaneously with the shift in the voluntary and community sectors' pool of available funding, increased expectation to do more with less, and overall public expectations of accountability. These changes within the sector have served to create challenges to organizational sustainability, which overall hinders the ability of non-profits to do work that has impact.

Paradoxically, funders have often failed to recognize and support the strong two-way relationship between program success and organizational strength and sustainability². Often, nonprofits have found it easier to secure funds for a specific project with tangible outcomes rather than find resources to develop themselves internally. However, if

¹ Ontario Trillium Foundation. (2005). *Building Capacity, Granting for Impact: Research Report*. Toronto, ON.

² The California Wellness Foundation. (2001). *Reflections on Capacity Building*. Woodland Hills, CA.

organizational capacity is weak, then programs and services are bound to suffer³. In fact, there is good evidence to suggest that organizational capacity matters to achieving programmatic outcomes⁴. Fortunately, more and more funders are recognizing this critical link by developing capacity building grants to support their grantees.

Capacity Building for Organizational Effectiveness

In a 2002 overview of capacity building efforts within the United States, findings illustrated that the majority of work commonly referred to as “capacity building” was focused at the organization level⁵. Organizational capacity building seeks to strengthen the ability of an organization or agency to achieve a desired outcome. Capacity building in this area can be defined as: *“Supporting organizations to build and maintain the skills, infrastructure, and resources to achieve their mission”*⁶.

Narrowing the focus to capacity building for organizational effectiveness does little to actually narrow the field of capacity building. There are hundreds of approaches to strengthening the capacity of organizations, from leadership, governance, management, and HR systems, each of which can be sorted again into multiple areas of focus⁷. This literature review focuses on the area of governance capacity and further explores the unique elements within effective governance.

Governance

“The bottom line in an organization is that, if the board is not properly structured and does not understand its responsibilities, the organization cannot do what it needs to do.”
(Cheryl Taylor, Foellinger Foundation)

Good leadership plays a critical role in the development and maintenance of effective organizations. While leadership capacity has received particular attention in the literature and through capacity building efforts of funders, Board governance has sometimes been overlooked⁸. However, this omission can be detrimental to the organization. In a 2009 report commissioned by BoardSource⁹ and FSG Social Impact¹⁰,

³ TCC Group. (2010). *Fortifying L.A.’s Nonprofit Organizations: Capacity Building Needs and Services in Los Angeles County*. The Weingart Foundation; Los Angeles, CA.

⁴ Light, P.C. & Hubbard, E.T. (2002). *The Capacity Building Challenge*. The Brookings Institute: Washington, DC. Retrieved from <http://www.brookings.edu/gs/cps/capacitybuildingchallenge.pdf>

⁵ Ibid.

⁶ United Way of Calgary and Area. (2011). *Organizational Capacity Building*. Power Point Slide presented

⁷ Light, P.C. & Hubbard, E.T. (2002). *The Capacity Building Challenge*. The Brookings Institute: Washington, DC. Retrieved from <http://www.brookings.edu/gs/cps/capacitybuildingchallenge.pdf>

⁸ Hedge, K.K., Nico, E., & Fox, L. (2009). *Advancing Good Governance: How Grantmakers Invest in the Governance of Nonprofit Organizations*. BoardSource; Washington, DC and FSG Social Impact Advisors: Boston, MA.

⁹ BoardSource: www.boardsource.org

grantmakers from over 54 various organizations were reported as viewing Boards as essential for setting strategy, supporting the chief executive, providing financial and programmatic oversight, and stewarding the investments that grantmakers and others make¹¹. Poor Board performance greatly impacts the chief executives of an organization. In a 2006 “Daring to Lead” report, executives who were unhappy with their Boards were more than twice as likely to be planning a near-term departure from the organization than those who had positive perceptions of their Boards¹². Given that Boards are indeed responsible for an array of activities within an organization, it makes good sense to be concerned about ensuring they are effective as possible.

What is Governance?

In the literature, many terms are used interchangeably to describe what, in essence, is the same set of processes and structures. Board performance, Board leadership, Board governance, and governance are just a few of the terms used to describe the process of supporting organizations to achieve their visions and missions. Culture Alberta defined governance as: “*How the board exercises its authority, control and direction over the organization, on behalf of the membership*”¹³. The Panel on Accountability and Governance in the Voluntary Sector has defined governance as: “*The overall processes and structures used to direct and manage an organization’s operations and activities*”¹⁴.

There are a number of different types of governance models, such as collective models, traditional models, administrative models, policy (Carver) model, etc. There is no one “right” model that leads to good and effective governance. Boards, like their organizations, have different characteristics, needs and objectives¹⁵. Regardless of the model, Boards are designed to protect the organizations long-term viability. To do this, it is necessary to have a strong and engaged Board in order for organizations to successfully address the increased challenges and pressures they face in the current environment¹⁶.

¹⁰ FSG Social Impact: www.fsg-impact.org

¹¹ Hedge, K.K., Nico, E., & Fox, L. (2009). *Advancing Good Governance: How Grantmakers Invest in the Governance of Nonprofit Organizations*. BoardSource; Washington, DC and FSG Social Impact Advisors: Boston, MA.

¹² Bell, J., Moyers, R., & Wolfred, T. (2006). *Daring to Lead 2006: A National Study of Nonprofit Executive Leadership*. CompassPoint Nonprofit Services: San Francisco, CA.

¹³ Culture Alberta. Retrieved July 26, 2011 from <http://culture.alberta.ca/bdp/governance.aspx>

¹⁴ Panel on Accountability and Governance in the Voluntary Sector. (1999). *Building on Strength: Improving Governance and Accountability in Canada’s Voluntary Sector*. Available online at <http://www.vsr-trsb.net/pagvs/>

¹⁵ CUPE National Research Branch. (2003). *Social Services: A Guide to Non Profit Governance*. Available at: http://cupe.ca/updir/A_Guide_to_Non-Profit_Governance.pdf

¹⁶ Hedge, K.K., Nico, E., & Fox, L. (2009). *Advancing Good Governance: How Grantmakers Invest in the Governance of Nonprofit Organizations*. BoardSource; Washington, DC and FSG Social Impact Advisors: Boston, MA.

Elements of Effective Governance

Organizations often find themselves with the issue of building Board capacity. In 2010, a study of Los Angeles non-profit organizations and their capacity issues found that 89% had a pressing need to address Board leadership¹⁷.

Research has shown that effective Boards usually coincide with well performing organizations¹⁸. While there has been numerous studies conducted in the United States on governance, little comprehensive data has been available in Canada¹⁹. Recently, there have been efforts towards collecting information on governance best practices within the Canadian context^{20, 21}. The Conference Board of Canada has produced several reports highlighting organizations that exemplify good governance practices. In their 2004 Governance Ideabook, the Conference Board of Canada outlines six principles for good governance²². These areas are:

1. Leadership and Stewardship
2. Empowerment and Accountability
3. Communication and Transparency
4. Service and Fairness
5. Accomplishment and Measurement
6. Continuous Learning and Growth

When Boards excel in these six areas, they can expect to contribute to stronger organizational performance.

Leadership and Stewardship

Effective Boards help their organization envision a direction and shape a strategy for the future, as well as anticipating potential problems and acting before issues become crises²³. Efforts to build governance capacity need to support the ability of the Board to

¹⁷ TCC Group. (2010). *Fortifying L.A.'s Nonprofit Organizations: Capacity Building Needs and Services in Los Angeles County*. The Weingart Foundation; Los Angeles, CA.

¹⁸ Mwenja, D. & Lewis, A. (2009). "Exploring the impact of the board of directors on the performance of not-for-profit organizations." *Business Strategy Series*, 10(6), 359-365.

¹⁹ Bugg, G. & Dallhoff, S. (2006). *National Study of Board Governance Practices in the Non-Profit and Voluntary Sector in Canada*. Centre for the Voluntary Sector Research and Development: Ottawa, ON.

²⁰ Brown, D.L. & Brown, D.A.H. (2004). *The Governance Ideabook: Second Edition*. The Conference Board of Canada: Ottawa, ON.

²¹ Bugg, G. & Dallhoff, S. (2006). *National Study of Board Governance Practices in the Non-Profit and Voluntary Sector in Canada*. Centre for the Voluntary Sector Research and Development: Ottawa, ON.

²² Brown, D.L. & Brown, D.A.H. (2004). *The Governance Ideabook: Second Edition*. The Conference Board of Canada: Ottawa, ON.

²³ Mwenja, D. & Lewis, A. (2009). "Exploring the impact of the board of directors on the performance of not-for-profit organizations." *Business Strategy Series*, 10(6), 359-365.

fully understand their role in strategic planning, and to increase Board Member competency in this area²⁴. In particular, this means that the Board:

- Manages and directs the strategic planning process
- Ensures stakeholder participation i.e., staff and volunteers
- Implements the resultant strategy
- Monitors and evaluates the effectiveness of the overall strategic plan

In order to support Board Members in becoming effective leaders, they also need access to training, coaching, and peer exchanges in order to become high capacity members of the governance team²⁵.

Leadership and the Role of Board Chair

In order for Boards to exemplify effective leadership and stewardship practices, the importance of the chair role cannot be overlooked. In fact, there are those who argue that the Board Chair is perhaps the single most important determinant of how a Board functions²⁶. There is literature to suggest that Board effectiveness is affected by the chair's industry knowledge, leadership skills, and influence on Board process²⁷.

- Industry or Sector Knowledge: Chairs that possess a high degree of industry or sector knowledge can better articulate industry issues and the role of the Board in addressing those issues. They can guide the kind of input necessary, and ground the discussion topic in the larger tasks and aims of the Board from a governance standpoint. This is a highly complex task that in real time requires more than a rudimentary level of sector knowledge. This competency is important, because it supports both Board Members and management in valuing the chair's experience and trust that their input is well-informed and relevant.
- Leadership Skills and Overall Style: Highly effective chairs possess the leadership skills and style that allow them to exert influence and maintain legitimacy in the boardroom. Research would indicate that the most important leadership skills are²⁸: (1) the capacity to constructively challenge unemotionally; (2) the ability to build consensus among a diverse group; (3) the ability to communicate effectively across different styles; (4) the ability to create a common vision; (5)

²⁴ Bugg, G. & Dallhoff, S. (2006). *National Study of Board Governance Practices in the Non-Profit and Voluntary Sector in Canada*. Centre for the Voluntary Sector Research and Development: Ottawa, ON.

²⁵ TCC Group. (2010). *Fortifying L.A.'s Nonprofit Organizations: Capacity Building Needs and Services in Los Angeles County*. The Weingart Foundation; Los Angeles, CA.

²⁶ Leblanc, R. & Pick, K. (2011). *Separation of Chair and CEO Roles: Importance of Industry Knowledge, Leadership Skills and Attention to Board Process*. The Conference Board: New York, NY. Retrieved August 31, 2011 from <http://www.conferenceboard.ca/topics/GCSR/research/govresearch.aspx?records=120>

²⁷ Ibid.

²⁸ Leblanc, R. & Pick, K. (2011). *Separation of Chair and CEO Roles: Importance of Industry Knowledge, Leadership Skills and Attention to Board Process*. The Conference Board: New York, NY. Retrieved August 31, 2011 from <http://www.conferenceboard.ca/topics/GCSR/research/govresearch.aspx?records=120>

the ability to give “unvarnished” feedback to the CEO; and (6) the ability to coach and develop the CEO and other Board Members.

- **Influence on Board Process:** There are three indicators that indicate that a Board is functioning effectively, and it is incumbent upon the chair to ensure that a good Board process is in place to ensure overall Board performance. This means: (1) managing dissent; (2) generating a productive group discussion; (3) facilitating a positive Board culture, especially in the relationship between the Board and management (including between the Chair and CEO).

The question of seeking a Board Chair with leadership skills vs. industry knowledge is one that non-profits may face. Inevitably, the question arises of which is more important and can't these things be taught once in the role? There is some suggestion that leadership skills may not be readily learned, but may be an inherent trait or quality that has been developed as a result of past experiences or history²⁹. Leblanc and Pick, in their research on Board Chairs, suggest that prospective Chairs, without desired leadership skills, should be promptly replaced or not appointed to begin with³⁰. Those that are not from industry, but have the necessary leadership skills can acquire sector or industry expertise, with dedicated effort and time.

Empowerment and Accountability

The Board has a duty to ensure that all its activities, decision-making processes and structures conform to legal standards and ethical norms as defined in its bylaws and policies³¹. Accountability also includes ensuring that the organization is in good financial health. This means making sure sound accounting systems are in place, adopting a budget, and addressing and eliminating financial management problems.

Building governance capacity in this area requires the Board to undertake several tasks, such as:

- Becoming familiar with organizational practices for recording and accounting of income & expenditures, handling cash, and management of investment.
- Review of current policies and practices and assuring that they are prudent and reasonable
- Review of how to monitor the organization's financial condition in the future
- Review its practices for engaging a competent auditor and what it does with the results of the auditor's reports

²⁹ Walker, D. (2009). *A Review of Corporate Governance in UK Banks and Other Financial Industry Entities: Final Recommendations*. Available at www.hm-treasury.gov.uk/d/walker_review261109.pdf

³⁰ Leblanc, R. & Pick, K. (2011). *Separation of Chair and CEO Roles: Importance of Industry Knowledge, Leadership Skills and Attention to Board Process*. The Conference Board: New York, NY. Retrieved August 31, 2011 from <http://www.conferenceboard.ca/topics/GCSR/research/govresearch.aspx?records=120>

³¹ Garber, N. *A Strategy for Building Governance Capacity*. Retrieved July 28, 2011 from http://garberconsulting.com/strategy_for_building_governan.htm

Managing the organizational financial resources isn't the only aspect of financial health to be concerned with. Effective governance also means that Boards have the capacity to acquire funds for the organization. This means committing to an annual fundraising plan and actively participating in fundraising activities. There is some literature to suggest that Boards engaged in resource related activities, such as fundraising, are more likely to be associated with organizational performance³².

Communication and Transparency

Effective governance practice ensures that there is a process for the flow of information, as well as ensuring transparent communication to stakeholders. Organizations have a complex web of relationships with funders, community groups, volunteers, clients, etc. Good governance means that the Board is accountable for making sure that communications are effectively and appropriately available to the wide range of interested parties.

Effective Boards review the process for accounting to their stakeholders through Annual General Meetings and Annual Reports³³; they develop appropriate communications tools to inform their stakeholders of progress and change; and they provide transparency so that potential volunteers, donors, and clients have access to the information they need to make informed decisions.

Service and Fairness

Effective governance means more than simply attending to financial health and strategic planning. It requires Boards to provide ethical leadership to the organization through the development and implementation of ethics policies that apply to everyone in the organization. This ensures that everyone acts with integrity; a process facilitated by internal leaders who play an essential role in resolving ethical concerns³⁴.

Good governance also means accepting primary responsibility to develop and maintain healthy relationships among major constituencies³⁵. This means engaging in activities such as speaking engagements, private discussions with community leaders and others, taking part in public meetings, etc.

Accomplishment and Measurement

This is a critical element of effective governance, as there is much literature to suggest that monitoring accomplishments and measuring performance is one of the most

³² Mwenja, D. & Lewis, A. (2009). "Exploring the impact of the board of directors on the performance of not-for-profit organizations." *Business Strategy Series*, 10(6), 359-365.

³³ Garber, N. A Strategy for Building Governance Capacity. Retrieved July 28, 2011 from http://garberconsulting.com/strategy_for_building_governan.htm

³⁴ Brown, D.L. & Brown, D.A.H. (2004). *The Governance Ideabook: Second Edition*. The Conference Board of Canada: Ottawa, ON.

³⁵ Mwenja, D. & Lewis, A. (2009). "Exploring the impact of the board of directors on the performance of not-for-profit organizations." *Business Strategy Series*, 10(6), 359-365.

important factors in ensuring a highly functioning Board^{36, 37, 38}. Boards need to know if results are being achieved. Those that have little direct contact with stakeholders such as clients, funders, and volunteers are unlikely to know if the organization is making a difference or whether value for money is being achieved. Some funders work directly with their grantees to establish specific goals and metrics around organizational performance and will engage directly and deeply with Boards to ensure the organization is successful in meeting those goals³⁹.

Monitoring Organizational Performance

Boards are critical for ensuring that a conceptual framework to guide the design and use of a performance measurement system is in place⁴⁰. In addition, their role is to make certain that the framework integrates goal-setting, measurement, control, evaluation, and feedback. The purpose is to ensure continuous improvement for the organization. In fact, successful performance measurement and management is essential to building a learning organization⁴¹. Performance measures offer a range of possibilities, such as (1) being used as a communications tool; (2) management tool (providing assurance and showing numeric values of achievements); (3) decision making tool; and (4) a focusing tool by supporting decisions for future organizational actions⁴².

Board Assessment and Measurement

Boards that conduct self-assessments are associated with organizations that have a high level of performance⁴³. The practice of Board self-evaluation is common among publicly traded companies and is becoming more common in non-profit organizations⁴⁴. Essentially, the purpose of a Board assessment is to enhance the organizations corporate governance through confirming (or not confirming) that it is operating in a

³⁶ Plumptre, T. & Laskin, B. (2003). *From Jeans to Jackets: Navigating the Transition to More Systematic Governance in the Voluntary Sector*. Institute on Governance: Ottawa, ON.

³⁷ Hedge, K.K., Nico, E., & Fox, L. (2009). *Advancing Good Governance: How Grantmakers Invest in the Governance of Nonprofit Organizations*. BoardSource; Washington, DC and FSG Social Impact Advisors: Boston, MA.

³⁸ Brancato, C. (2002). "In the wake of Enron: Does your board have an effective management system of its own?" *Executive Action*, (14), Conference Board: New York, NY.

³⁹ Hedge, K.K., Nico, E., & Fox, L. (2009). *Advancing Good Governance: How Grantmakers Invest in the Governance of Nonprofit Organizations*. BoardSource; Washington, DC and FSG Social Impact Advisors: Boston, MA.

⁴⁰ Brown, D.L., & Brown, D.A.H. (2001). "Beginning at the top: The board and performance measurement." *Members Briefing 335-01*, The Conference Board of Canada: Ottawa, ON.

⁴¹ Ibid.

⁴² Ibid.

⁴³ Mwenja, D. & Lewis, A. (2009). "Exploring the impact of the board of directors on the performance of not-for-profit organizations." *Business Strategy Series*, 10(6), 359-365.

⁴⁴ Kuprionis, M.D. (2011). "Understanding board evaluations: Analysis of purpose and key elements." *The Corporate Governance Advisor*, 19(3), pp. 8-12.

way that adds value. TCC Group recommends Board assessments as one activity that can support Board leadership capacity building⁴⁵.

While it is important that the assessment includes areas such as oversight, planning and governance guidelines, it is equally important that the assessment include a section on Board skills. For example, a Board might ask itself in its assessment “does the expertise and skills of each Board Member add value for the organization?” While there may be many formats an assessment can take, the most important aspect is ensuring there is a process for reviewing the results and agreements on any follow-up that needs to happen⁴⁶.

CEO/Executive Director(ED) Assessment

Many funders of non-profit organizations believe that having a CEO/ED performance assessment in place is a good indicator of effective governance⁴⁷. Research has indicated Boards who have specific processes for evaluating CEO/ED performance are more likely to be found in highly effective organizations⁴⁸. Too often, however, little attention is paid to assessing a CEO/ED’s leadership and management capabilities because many Boards are heavily focused on financial results, organizational reputation in the community, and other metrics of performance⁴⁹.

There are several reasons why Boards have a difficult time measuring leadership performance. Defining and agreeing on appropriate assessment measures is difficult – how does one define, let alone measure, leadership or strategic ability⁵⁰? Deciding on who should participate in the assessment is another challenge faced by Boards. Though all Directors should participate in the assessment, it is recommended that a group of selected members of senior management should also complete a separate evaluation⁵¹. While this practice is suggested, it is often difficult to find a group that will be completely unbiased and representative. Finally, CEO/Executive Director assessments are challenging because there is still a human tendency to want to avoid

⁴⁵ TCC Group. (2010). *Fortifying L.A.’s Nonprofit Organizations: Capacity Building Needs and Services in Los Angeles County*. The Weingart Foundation; Los Angeles, CA.

⁴⁶ Ibid.

⁴⁷ Hedge, K.K., Nico, E., & Fox, L. (2009). *Advancing Good Governance: How Grantmakers Invest in the Governance of Nonprofit Organizations*. BoardSource; Washington, DC and FSG Social Impact Advisors: Boston, MA.

⁴⁸ Mwenja, D. & Lewis, A. (2009). “Exploring the impact of the board of directors on the performance of not-for-profit organizations.” *Business Strategy Series*, 10(6), 359-365.

⁴⁹ Burchman, S. & Purewall, J. (2004). “Performance Evaluation: Taking inventory of the CEO.” *Directors & Boards*. Retrieved September 1, 2011 from <http://www.thefreelibrary.com/'Taking+inventory'+of+the+CEO%3a+an+effective+assessment+process+will...-a0132408939>

⁵⁰ Ibid.

⁵¹ Ibid.

confrontation⁵². Many Board Directors are themselves CEO's or Executive Directors, and can empathize with the expectations and demands that accompany such a position.

Despite these challenges, however, it is possible for Boards to perform comprehensive, fair, and timely leadership assessments. Research indicates there are five key factors to a successful assessment⁵³:

- *Accountability* – clear accountability for assessment design, administration, and management should be assigned to a particular sub-group or committee of the Board. This group should discuss:
 - o What are the goals?
 - o Against what should the CEO/Executive Director be measured?
 - o Who should participate?
 - o How will the outcomes be communicated to the CEO/Executive Director?
- *Communication* – The sub-group or committee in charge of the design should also ensure that the CEO/Executive Director fully understands the objectives, process and intended outcomes of the assessment.
- *Balance* – Committees need to decide on how to balance more traditional measures of operational results/finances with leadership and management measures.
- *Perspective* – Often, the value of an assessment comes from the ability to assimilate multiple perspectives. Self-assessments, senior management and Board assessments are critical to providing a well-rounded and informed review.
- *Development* – The true value of a CEO/Executive Director assessment comes from its ability to highlight developmental needs. A plan to address those developmental needs also needs to be in place so that there is opportunity for the CEO/Executive Director to improve and grow.

Continuous Learning and Growth

Opportunities for continuous learning and growth are another element that demonstrates effective governance⁵⁴. This means that the Board promotes a positive Board culture who embraces innovation and change. It also means that they promote the development and training of themselves, executives, and staff. Effective Boards understand and take into consideration the culture and norms of the organization that they govern, as well as ensuring an open learning culture that promotes active

⁵² Burchman, S. & Purewall, J. (2004). "Performance Evaluation: Taking inventory of the CEO." *Directors & Boards*. Retrieved September 1, 2011 from <http://www.thefreelibrary.com/'Taking+inventory'+of+the+CEO%3a+an+effective+assessment+process+will...-a0132408939>

⁵³ Ibid.

⁵⁴ Brown, D.L. & Brown, D.A.H. (2004). *The Governance Ideabook: Second Edition*. The Conference Board of Canada: Ottawa, ON.

participation by all members^{55, 56}. Strong Boards nurture the development of their members as a working group, foster cohesion amongst the group, and attend to the Board's collective welfare⁵⁷.

Boards that promote and engage in continuous learning do so in a number of ways. Some examples of this include⁵⁸:

- Ensuring proper orientation for new Board Members.
- Allowing time for staff presentations in Board meetings – this way the Board can get a better understanding of the organization and its priorities.
- Having Board retreats that are not simply about strategic planning, but rather focus on the current and evolving role of the Board.
- Bring in third-parties to help with ongoing education and training when necessary.

In order to fully embrace continuous learning and growth, however, there needs to be a commitment by the Board that ongoing development is a priority⁵⁹. Boards who promote and engage in continuous learning and growth add value to the organization. Chait et al. argues that the best Boards add value through five interrelated approaches, which ultimately supports organizational learning and growth⁶⁰. They are:

- Helping senior management determine what matters most
- Creating opportunities for the CEO/Executive Director to think aloud
- Encouraging experimentation
- Monitoring progress and performance, and
- Modelling the desired behaviours

Indicators of Effective Governance

As the literature has demonstrated, governance capacity is a critical element of organizational effectiveness. The capacity of the Board to connect people to the vision and mission of the organization, hold organizational leaders accountable for progress on goals, garner resources, and provide strong fiscal oversight are essential to a healthy

⁵⁵ Mwenja, D. & Lewis, A. (2009). "Exploring the impact of the board of directors on the performance of not-for-profit organizations." *Business Strategy Series*, 10(6), 359-365.

⁵⁶ Evans, G. (2010). "Corporate governance culture – An interview-based ethnography of two boards of directors using grounded theory." *Poznan University of Economics Review*, 10(2), 15 -32.

⁵⁷ Mwenja, D. & Lewis, A. (2009). "Exploring the impact of the board of directors on the performance of not-for-profit organizations." *Business Strategy Series*, 10(6), 359-365.

⁵⁸ Bugg, G. & Dallhoff, S. (2006). *National Study of Board Governance Practices in the Non-Profit and Voluntary Sector in Canada*. Centre for the Voluntary Sector Research and Development: Ottawa, ON.

⁵⁹ Ibid.

⁶⁰ Chait, R.P., Holland, T.P. & Taylor, B.E. (1991). *The Effective Board of Trustees*, Macmillan Publishing, New York, NY.

and vibrant organization. While it is important to understand and reflect on the elements of governance capacity, how can one assess whether any one of the above mentioned areas are present in an organization? What concrete measures exist to indicate that an organization has the governance capacity it needs and requires?

Within each area described above are key documents or proof of business processes that indicate whether an organization is building and actively supporting its governance capacity. Some of these documents or processes are more powerful indicators than others. For example, existence of Board assessment processes and actual completed assessments would be a very strong indicator of the organizations governance capacity in the area of accomplishment and measurement.

Below is a table of each element of governance capacity, along with proposed documents or processes that could be used to determine the level of governance capacity. The table also includes an assessment of how important the presence of these documents and processes are in reflecting capacity in each area.

Assessment criteria are defined as:

- **Very Important** – Indicator is a strong measure of capacity in a given governance area. In fact, if it is assessed as missing then capacity can be considered as needing to be strengthened.
- **Important** – Indicator is a satisfactory measure of capacity in a given area. If it is assessed as missing, the finding should be reviewed in light of what other indicators are present.
- **Emerging Importance** – Indicator is one that the literature has suggested is present in the most effective Boards, but the lack of evidenced documentation does not reflect lack of capacity in that area.

Table 1.0 – Governance Capacity Indicators

Governance Area	Indicator	Assessment
1. Leadership and Stewardship	Existence of an updated strategic plan	Very Important – An organization must understand and respond strategically to its operating environment and have a sense of direction of where it wants to go.
	Documented protocols for the coaching and training of Board Members	Emerging Importance – While it is important that Board Members receive coaching and opportunities for peer exchange, the likelihood is organizations will treat this as an informal process, with no formalized documentation.
2. Empowerment and Accountability	Updated governance policies that specifies responsibilities and accountabilities of the Board - policies need to be codified	Very Important – this would include all its bylaws, articles of incorporation, etc.
	Completed Risk Assessment	Important
3. Communications and Transparency	Annual Reports	Very Important
	Other Donor Reports	Important
4. Service and Fairness	Documented Code of Conduct	Important
	Documented Conflict of Interest Policy	Very Important
5. Accomplishment and Measurement	Organizational performance measures and documented review of progress against goals	Very Important
	Board Self-Assessments	Very Important

	CEO/ED Assessments completed by the Board	Very Important
6. Continuous Learning and Growth	Documented Orientation Process for new members Agenda and Minute meetings that reflect educational topics	Very Important Emerging Importance – educational topics support Boards in developing a learning culture. This may be an activity that has yet to be adopted by the organization.

Conclusion

Governance is an area of capacity building that is often over-looked. Fundraising, leadership and Human Resources (HR) are just some of the areas that organizations often feel greater capacity is warranted in order to achieve organizational effectiveness.

As the literature points out, however, well-functioning Boards coincide with well-performing organizations. Good governance sets the tone and direction for the organization, from which then other functions can follow (e.g., technical capacities, HR processes, financial management, etc.). Having an effective Board increases in importance when the organization is facing major decisions, such as capital projects, financial sustainability, and executive transitions.

Governance is more than simply financial oversight. Boards need to ensure they are holding the organization accountable to its mission and vision; that stakeholders receive open and transparent communication about the organization; that practices are ethical and sound; and that the Board itself is committed to continuous improvement.

Building governance capacity requires attention – not just to the material outputs of governance work, but also to the process that supports those outputs. By viewing governance capacity building as a worthwhile investment of time and resources, organizations can begin to increase their overall effectiveness and position themselves as learning organizations that are leading contributors to their community.

Appendix A: Resources and Tools for Governance Capacity Building

Resources for Governance Capacity Building

Alliance for Non-Profit Management: Membership association that delivers management and governance support services to non-profit organizations. The offer workshops and conferences in this area. www.allianceonline.org

BoardSource: Dedicated to advancing the public good by building exceptional non-profit Boards. Offers programs and services to mobilize Boards so that organizations fulfill their missions, achieve their goals, increase their impact and extend their influence. www.boardsource.org

Calgary Chamber of Voluntary Organizations (CCVO): Calgary-based organization that undertakes research, publishes information, shares tools and resources, and builds knowledge and skills in a variety of capacity-related areas, including governance. www.calgarycvo.org

CentrePoint Non-Profit Management: Calgary-based organization that offers a community of practice for Board Members and ED's that are interested in implementing Governance as Leadership, sharing their experiences, learning together, and strengthening their Boards effectiveness. www.thecentrepoint.ca

Government of Alberta, Culture and Community Spirit, Voluntary Services: A Board development program is offered under the Voluntary Sector Services area. This program offers workshops, one-on-one consultation, as well as a variety of online resources to build Board effectiveness. <http://culture.alberta.ca/bdp/default.aspx>

Improving Non-Profit Governance, Dalhousie University: This online course offered by Dalhousie University is designed for executive directors and Board Members. It offers peer learning, active facilitation, and access to the latest research on good practices, customized learning resources and tools, and the opportunity for practical application. <http://collegeofcontinuinged.dal.ca/Continuing%20Management%20Education/Non-Profit%20Sector%20Leadership/improvingnonprofitgo.php>

Institute for Non-Profit Studies at Mount Royal University – The institute hosts bi-monthly research forums on a variety of topics. <http://www.mtroyal.ca/ProgramsCourses/FacultiesSchoolsCentres/InstituteforNonprofitStudies/NonprofitResources/index.htm>

Institute on Governance: Ottawa-based non-profit think tank that explores, shares, and promotes good governance in Canada and abroad. The institute helps voluntary sector

organizations, communities, governments and others put this concept into practice. www.iog.ca

Non-Profit Management Extension Certificate, Mount Royal University: Offers a range of courses specified for the non-profit sector, with a specific course on Board governance. <http://www.mtroyal.ca/ProgramsCourses/ContinuingEducation/businesstraining/nonprofit/>

Strategic Leverage Partners Inc.: Canadian management consultant firm that specializes in Board effectiveness. www.strategicleveragepartners.com

Tools for Board Assessments

Board Self-Assessment Questionnaire (BASQ) – 34 item questionnaire that assesses six different dimensions of Boards. Different items in the questionnaire measure different dimensions of Board effectiveness⁶¹.

⁶¹ Jackson, D.K. and Holland, T.P. (1998). "Measuring the effectiveness of nonprofit boards". *Nonprofit & Voluntary Sector Quarterly*, 12, 521-547.