



# Nonprofit Board Management Guide

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*Management techniques to improve board recruitment and retention from a nonprofit expert*



AXIS INSURANCE GROUP

## Meet the Expert



### **Vivian Smith**

Vivian Smith, CFRE, is known for her commitment to philanthropy and her passion for the fundraising profession, which has led her to become one of the most respected and sought-after advisors to the charitable sector in Canada. Recently, after 17 years managing her own consulting firm, she took on the role of executive director for the Langley Memorial Hospital Foundation. Vivian is active in the Association of Fundraising Professionals as a Master Trainer and a director on its international board. She is also a director on the board for the Greater Langley Chamber of Commerce and a frequent presenter at conferences and educational sessions throughout North America.

## About the Axis Insurance Group

The Axis Insurance Group was formed in 2017 through an amalgamation of several BC based insurance brokerages with roots tracing to 1928. The experience of our combined 150 team members is uniquely positioned to serve Canada with risk management and insurance services.

As a result of a strong focus on our core practice industries, our experts from Shaw Sabey & Associates, Axis Insurance Managers, and Metrix Professional Insurance Brokers have become thought leaders in their fields.

The Axis Insurance Group is dedicated to offering a wide range of commercial risk management and insurance services that are custom made for your business.

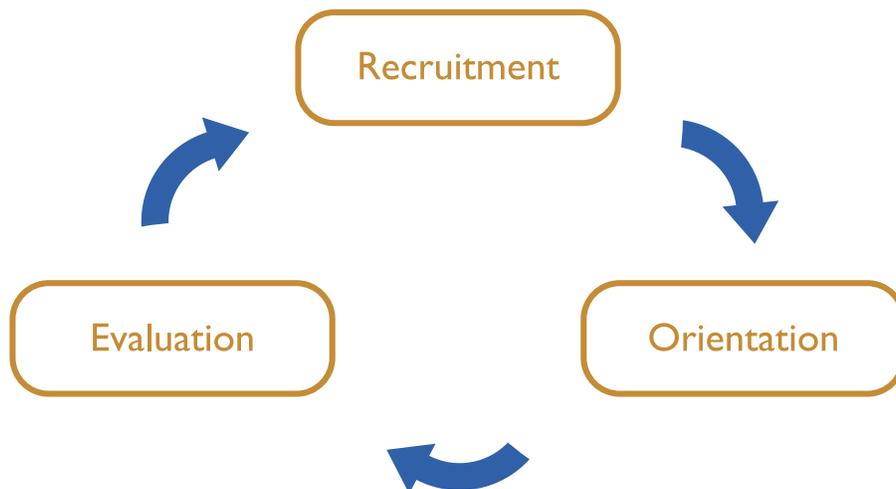
Our strong training and development program, combined with deep expertise, insures we are up to date with emerging risks facing Canadian industry. By partnering with the largest insurance companies in Canada we have access to the best coverage solutions on the market.



Nonprofit societies look to their boards of directors for strategy, vision and policy; nonprofits look to their chief executive officers for leadership and oversight of operations. Both are critical to organizational success.

Yet, research<sup>1</sup> shows that disenchanted executive directors perceive their board members as non-supportive, micro-managing, disengaged and/or lacking an understanding of governance vs. operations. Boards of directors have a direct impact on successful retention of executive directors.

Chief executive officers can't just sit back and complain about this problem. It is up to them to break that cycle of inefficiency and start a new cycle: one of thoughtful and strategic recruitment, orientation and evaluation. These activities feed each other as a constantly evolving process and, as such, it requires that they undertake all three in order to develop the most successful board of directors.



### Recruitment

Does this sound familiar?

Executive Director: "Oh no, I just realized the AGM is only a month away. George is finally rolling off the board, Joanne says she's not returning and Rhonda resigned halfway through last year. We've got to find three more board members!"

Chair of the Nominating Committee: "Well, let's get started right away. I know someone from my Rotary club. She's a really nice person, always smiling and full of fun."

Executive Director: "Sounds good. You talk to her, and I'm going to ask our board chair to talk to her neighbour who's always wanted to sit on this board. I don't know him but I'm sure he's great. Hey, we're almost there – just one more to go!"

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<sup>1</sup> Driving Change: A National Study of Canadian Nonprofit Executive Leaders; HR Council for the Nonprofit Sector, 2012



**All too often, directors approach populating the board as a search for a warm body, operating under the mistaken belief that every board seat must be filled.**

Now, obviously this exchange is hypothetical – and a bit tongue-in-cheek – but it will sound familiar to many executive directors. All too often, directors approach populating the board as a search for a warm body, operating under the mistaken belief that every board seat must be filled. Then they wonder why directors don't offer the leadership and governance that they and their organizations require.

The bylaws and/or provincial society's act often indicate both a maximum and a minimum number of directors required. As long as the organization doesn't drop below that minimum, it can manage with fewer than the maximum number of directors. What matters most are the qualities, skills and expertise each director bring – not the number of directors.

## Establish the Committee

It used to be called the nominating committee, but its role in the success of your board is much more encompassing. As such, it is now more commonly referred to as a governance or board development committee. In many ways, this will be one of the most important committees of the board, since the future strengths of the board – and hence the organization – will be a result of its work.

The committee is often led by the past chair of the board as someone who has a strong sense of the current board and what it requires to move the organization forward. The executive director should be involved in a consultative capacity. Committee members should include two or three other board members and may also include non-board members who have a strong understanding of the organization, its challenges and its vision. This may be a previous board member, a community leader or someone who has benefited from the work of the organization.

## Committee Responsibilities

The committee's objectives and goals must be clear to everyone. Terms of reference for the committee ensure the scope of its job is well defined.

Responsibilities might include:

- Defining the criteria for, and selecting potential board members
- Cultivating volunteers and stakeholders who have an interest in the sector and governance
- Presenting candidates to the board for approval, and then to members at the AGM
- Orienting new directors to their responsibilities
- Recognising board member achievements
- Coordinating an evaluation process for the board as a whole and for each director individually



**Ask each board member to identify what he/she brings to the board. This is the important first step before beginning the recruitment process.**

Each year, the committee should develop a plan and timeline for meeting its goals. Some responsibilities will be annual (identify board prospects, interview interested candidates, etc.) while others might be longer-term objectives (develop introductory package, develop orientation manual and new board training session, conduct evaluation of aspects of the nomination process, etc.).

## The Recruitment Process

Six months before the AGM, the committee should begin by identifying what skills, experience and demographics would best suit the board in the upcoming years. Using a matrix, of which there are many readily available, ask each present board member to identify what he/she brings to the board. This is the important first step before beginning the recruitment process.

The committee should then identify prospective board members whose attributes are seen to address the gaps identified through the first step. Candidates will come from various sources including committee members, other board members, senior staff and skilled volunteers engaged in the organization's work and/or who have been advisors to your board. Potential candidates from past years may be useful if they were not chosen because their skill set was not required at the time or they were too busy the last time they were approached.

Once the committee has an initial list of good candidates, it's important to approach those people and cultivate relationships with them well in advance of the nomination process.



**Building an expectation of accountability into the recruitment process begins by outlining what is expected of the prospect and what he/she can expect in return.**

If a prospect is not already engaged with the organization in a volunteer role, it might be a good idea to work with him/her in this capacity before considering him/her for a board position.

This is a key way to determine if the prospect is interested in better understanding the work of your organization; the organization will be best served if the candidate volunteers in some capacity and becomes familiar with it. This will provide a good sense of his/her skills, ability to serve as a member and cultural fit.

Interviews with board prospects should include the chair of the board and/or chair of the board development committee plus the executive director. It provides an opportunity for honest discussion about the organization, and about the prospective board member. This is the time to provide the prospect with a position role description. Building an expectation of accountability into the recruitment process begins by outlining what is expected of the prospect and what he/she can expect in return.

This meeting should be planned carefully. Decide who will talk about what and in what order, as well as what materials to send to the interviewee before, and which materials to bring into the meeting. Understanding what is motivating a prospect to join the board is critical to ensuring the role will meet his/her interests.

For those who are not interested in joining, try to determine why. Sometimes they are currently too busy but would happily reconsider at a future date.

One of the biggest problems with interviewing board candidates is that they are not interviews at all. Candidates come to "interviews" assuming that the job is theirs if they want it. The committee sells and persuades and typically does not vet the candidate in any substantive way. Real discussions about the board members' fundraising obligations are swept under the rug for fear of chasing a good prospect away.

It is important to remember that board service is a privilege; working on behalf of your organization is a gift and public service is core to the betterment of our society.



Joan Garry, an online blogger, recommends six critical interview questions to ask potential board members:

- **What do you know about our organization?** (Find out why he/she is interested in committing time and energy.)
- **What do you think are the characteristics of a great board member?** (Find out if they have learned anything from any previous board experience.)
- **Fundraising is a significant obligation of board service.** (Reinforce the “give/get” concept clearly). Can you tell us about your experience in fundraising? (Determine what type of fundraising, e.g., garage sales or personal solicitation.)
- **Would you be willing to attend a lunch with the chief development officer in which the goal was to make a major donor ask?** (Find out about the potential director’s comfort level with major gifts.)
- **Board members bring experience, wisdom, strategic thinking ... and their ‘rolodexes’. Can you tell us about yours?** (You’re probing here for who is in it and how willing the prospect is to share it.)
- **What kind of autonomy do you have over your calendar?** (There will be events between board meetings, occasional donor lunches, etc. Find out about his/her time flexibility.)

Do not make any unofficial offers to the prospect; the committee will not know which candidates are best until recruitment efforts near completion. Once the committee has finalized the top prospect list, candidates should be formally invited to put their names forward for election. Once the slate is approved at the AGM, the next step of developing the skills and abilities of your board members to act effectively for the organization can begin.

### Orientation

The point of a robust, well-planned orientation is to make sure new board members feel ready to contribute on day one by being:

- Well informed about their roles
- Generally well informed about how the organization operates
- Proud and able to share a few key accomplishments of the organization
- Impressed that they have joined a professional organization
- Valued and appreciated

Board members who walk through the doors feeling this way are your most engaged and productive board members. They are the organization’s future leaders.

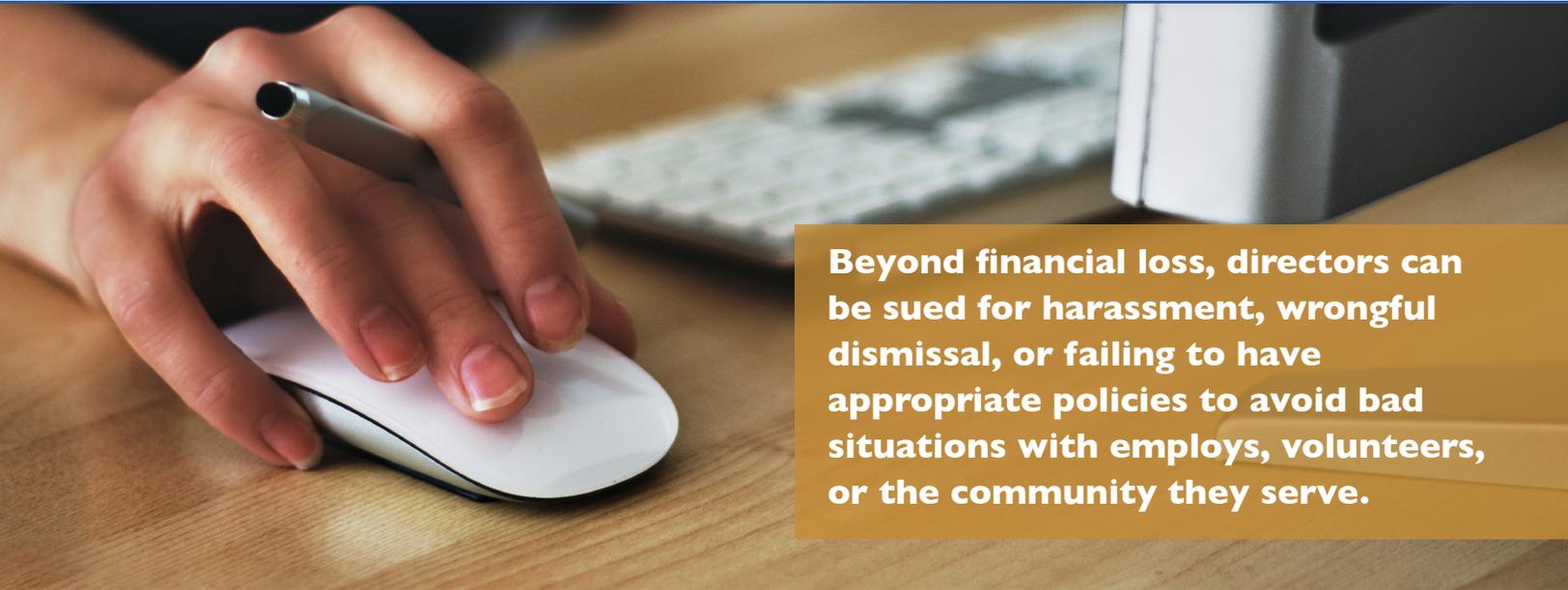
### The Board Orientation Binder

The binder is for new board members to read, review, take notes and write questions in the margins. The binder should be sent out to the new board member ahead of the in-person session and should also be available in an electronic format for those who are comfortable with information provided in this manner.



Here is a checklist of what should be included in the board orientation binder:

- Brief history of the organization
- The strategic plan's executive summary
- A one-page summary of the fundraising program (to emphasize that there is a fundraising obligation), a board-approved give/get policy (if you have one) and a list of some of the many ways the obligation can be met
- Staff organizational chart
- Program highlights for the year to date
- Board policies
- A copy of the board's directors and officers liability insurance policy, with a brief explainer
- Board meeting minutes (usually three meetings back)
- Approved budget for the fiscal year
- Most recent monthly financials
- Most recent audited financial statements
- The organization's constitution and by-laws
- Description of a board member's roles and responsibilities
- List of all current board members
- List of board committees, their terms of reference and members of each
- List of upcoming meetings and events, either programmatic or fundraising-related, to give the new directors ample notice to add these to their calendars



**Beyond financial loss, directors can be sued for harassment, wrongful dismissal, or failing to have appropriate policies to avoid bad situations with employees, volunteers, or the community they serve.**

## The Board Orientation Session

- The chair of the board, executive director, chair of the board development committee (who will run the meeting), lead program person and chief fundraiser should attend this meeting with the new board members.
- Agenda (allocate a maximum of 90 minutes):
  - o Get to know one another: What you do, why this organization is important to you and what you think you bring to the organization. Make sure everyone does this, not just the new board members.
  - o An inspirational moment: This could be an organizational video or a program person to share a few stories that affirm the new board members' decision to join. If possible, ask a client to join and speak; that would be even more powerful. Remember, new board members should be excited and inspired.
  - o The executive director should share the vision for the organization and the place the new board members have in that vision: why they were recruited and what value they bring.
  - o The board chair can speak to directors' roles and responsibilities, field general questions about the board and outline the upcoming board meeting agenda so new members have a preview of significant items to be discussed at their first board meeting.
  - o The chief fundraiser will review the information about fundraising that's in the binder and take questions. He/she should offer enthusiasm for the new board members' obligation to fundraising and an assurance that the staff will offer guidance and support.

Ensure each new board member understands the scope of the responsibility they are taking on. They should be aware that they could be held personally liable for any acts or omissions the board makes. For example, if a board member makes a financial decision that results in the loss of the organization's assets, the nonprofit could be hit with third-party claims. Creditors will make attempts to recapture loss by suing not only the nonprofit, but the directors and officers as individuals as well. Beyond financial loss, directors can be sued for harassment, wrongful dismissal, or failing to have appropriate policies to avoid bad situations with employees, volunteers, or the community they serve.



“Directors and officers of nonprofit organizations are required to exercise the same degree of commitment, attention and care as directors of for-profit corporations,” says Jamie Saunders, Account Executive at the Axis Insurance Group, a Canadian insurance brokerage conglomerate that specializes in nonprofit insurance. “While it is true that there are no profit oriented shareholders in a nonprofit setting, the organization is still operated for the benefit of some group of persons. Employees, creditors, customers, members, regulators and many others are all potential plaintiffs against directors and officers of nonprofit organizations.”

Regardless of how frivolous the claim if a director is named in a lawsuit, and there is no insurance in place, they will be personally responsible for the costs of hiring a lawyer to defend the case and any resulting award or settlement. This could mean their house or livelihood is on the line.

This makes having a directors and officers liability insurance policy particularly important as lawsuits become increasingly common in Canada – it removes the risk from the individual board members. Ensure all members are aware of how their policy protects them in the event of a lawsuit.

### Evaluation

The prospective board members have been vetted and voted onto the board; they have received a thorough orientation. Now their work begins as full-fledged directors.

But the work of the board development committee is not over: evaluating the board’s work is a key function of this committee.

There are many evaluation templates and tools available to assess:

- Whether directors have a full and common understanding of their roles and responsibilities
- If the structural pattern (board, officers, committees, executive, staff) is clear
- Whether the needed skills, stakeholders and diversity is represented on the board
- How many of the board members have leadership potential
- Whether the board attends to policy-related decisions that effectively guide the operational activities of the staff
- What level of influence (positive or negative) each individual board member has on the decisions made by the board
- If a board member would be rated as a “dead weight”, one who needs encouragement or as a self-starter
- Whether a board member would be characterised as having self-interest or organizational interest
- What level of participation in the organization’s events and activities each board member has



Whichever tool is used – one presently available or one designed by the board development committee – it should consider:

1. Self-evaluation by each individual director
2. An overall evaluation of the board as a unit by the directors
3. An evaluation of the board chair by the directors

The key to this evaluation process is what the board development committee does with the information it receives. The overall purpose is to strengthen the board so that the organization is well served in meeting its mission and driving to its vision.

The responses to the evaluation questions may determine the need for education for board members, e.g., what is governance vs. management, what are the key elements of a fundraising campaign, how to facilitate meetings, etc. It may point to the need for more strategic thinking, perhaps through the strategic planning process. It may showcase conflict or dissatisfaction with the board chair's abilities; this in turn may lead to reappointment of officers, the removal of a board member or learning how to reach consensus on difficult matters.

Finally, the evaluation will assist the board development committee in understanding what is needed during the ongoing recruitment process and how to strengthen the orientation program.

### Summary

A well-functioning and engaged board of directors plays a critical role in the success of an organization. It is linked to the retention of senior staff members, success in reaching organizational goals and an enhanced credibility of the nonprofit and its work. This type of board is not formed by accident; it takes a thoughtful investment of time and energy through the leadership of a board development committee.

### Questions?

If you would like more information on nonprofit risk management, or have any other insurance-related questions, please don't hesitate to reach out.



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