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Communiqué

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Growth of nonprofit sector makes volunteer involvement more rewarding and challenging, says study

Involvement on the boards of nonprofit organizations (NPOs) benefits both the organization and the volunteer, and provides valuable experience for current and future business leaders, says a report issued today by the British-North American Committee. The report also notes, however, that NPOs differ fundamentally from businesses in the nature of their mission, their internal culture, and their dynamics, and that business-people need to learn about and prepare for these differences if their involvement in NPOs is to be productive and rewarding.

The report, *Effective Governance of Nonprofit Organizations*, was prepared by Rob Paton of Britain's Open University Business School and by members of the British-North American Committee under the guidance of a working group chaired by Charles Baillie, Chairman and Chief Executive Officer of the Toronto-Dominion Bank.

The report outlines the growing importance of the nonprofit sector and the challenges this growth has brought in its wake: competition for resources; growing scrutiny; new sponsorships and partnerships; and the increasing professionalization of management. These developments, the report argues, increase the importance to NPOs of business volunteers' expertise in such matters as strategic investment, information management and re-engineering.

At the same time, however, many business orientations and practices are not simply transferable to NPOs. The mission, culture, and dynamics of NPOs usually differ from those of businesses, and the boards and directors of NPOs often see their roles in differing and often conflicting ways: a "political" model in which the board represents major stakeholders, for example, may frustrate directors who are used to operating in a "supporters club" model with a primary focus on opening doors and fundraising.

Similarly, the report says, the influence of stakeholder groups such as funders, staff, and beneficiaries differs not only from one NPO to another but also within the same NPO at different points in time. In particular, NPOs tend to go through cycles requiring different levels of involvement by their boards. The report describes the stages of these cycles, and provides both a set of questions and a template schedule that nonprofit boards can use to avoid surprises as their organizations evolve.

In a statement accompanying the report, the members of the British-North American Committee urge business leaders to support the involvement of their upcoming successors in the nonprofit sector. They argue that such involvement not only benefits NPOs, but also promotes volunteers' personal growth and the sense of social responsibility that is increasingly important in business endeavors. The guidelines and questions in the report, they state, can help make directors' experience more constructive and rewarding.

* * * *

The British-North American Committee was established in 1969 to study and discuss the broad range of economic factors affecting the relationships among Canada, the United States, and the United Kingdom. Its members are drawn from business, labor, agriculture, and professional leaders who are involved in relations among the three countries. The Committee is sponsored in Canada by the C.D. Howe Institute, in the United States by the Center for Strategic and International Studies, and in the United Kingdom by the British-North American Research Association. The North American Chairman of the Committee is Robert D. Rogers, President and Chief Executive Officer, Texas Industries, Inc., Dallas.

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Communiqué

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***Selon une étude,
l'essor du secteur sans but lucratif
rend la participation des bénévoles
plus enrichissante et plus stimulante***

La participation aux conseils d'administration d'organismes sans but lucratif (OSBL) profite tant à l'organisme qu'aux bénévoles et offre une expérience intéressante aux dirigeants d'affaires, actuels ou en puissance, d'après un rapport publié aujourd'hui par le Comité britannique et nord-américain. Toutefois, le rapport souligne aussi que les OSBL se distinguent fondamentalement des entreprises de par leur mission, leur culture interne et leur dynamique. Les gens d'affaires doivent donc s'informer de ces différences et en tenir compte pour que leur participation aux OSBL soit fructueuse et enrichissante.

Le rapport, intitulé *Effective Governance of Nonprofit Organizations (Régie efficace des organismes sans but lucratif)*, est rédigé par Rob Paton de l'Open University Business School de Grande-Bretagne et par des membres du Comité britannique et nord-américain, sous la direction d'un groupe de travail présidé par Charles Bailly, président du conseil et chef de la direction de la Banque Toronto-Dominion.

Le rapport souligne l'importance croissante du secteur sans but lucratif et les défis que cet essor a posés, soit la concurrence pour l'obtention de ressources et la professionnalisation croissante des membres de la direction. Selon le rapport, cette évolution accroît l'importance pour les OSBL de recruter des bénévoles aux connaissances spécialisées dans des domaines comme l'investissement stratégique, la gestion de l'information et la restructuration.

Dans un même temps, cependant, maintes optiques et pratiques commerciales ne sont tout simplement pas transférables aux OSBL. La mission, la culture et la dynamique des OSBL se distinguent de celles des entreprises, et le conseil d'administration et les administrateurs des OSBL perçoivent leur rôle de manière différente et souvent contradictoire : ainsi, un modèle « politique » où le conseil d'administration agit au nom d'importants intervenants pourra provoquer de la frustration chez les administrateurs qui ont l'habitude de fonctionner selon un modèle de « club de par ti sans » dont la priorité est d'ouvrir les portes et d'organiser des levées de fonds.

De même, indique le rapport, l'influence des groupes d'intervenants comme les bailleurs de fonds, le personnel et les bénéficiaires diffère d'un OSBL à l'autre, mais également au sein

d'un même OSBL à divers moments. Plus particulièrement, les OSBL traversent des cycles qui exigent différents niveaux de participation de leur conseil. Le rapport décrit les étapes de ces cycles et fournit un ensemble de questions et un modèle de calendrier dont peuvent se servir les conseils des OSBL pour éviter toute surprise désagréable au fur et à mesure que les organismes évoluent.

Dans une déclaration jointe au rapport, les membres du Comité britannique et nord-américain présentent les dirigeants d'affaires d'appuyer la participation de leurs successeurs au secteur sans but lucratif. Ils soutiennent qu'une telle participation ne profite pas seulement aux OSBL, mais qu'elle favorise l'épanouissement des bénévoles et le sens de responsabilité sociale qui est de plus en plus important dans les entreprises commerciales. Les lignes directrices et les questions présentées dans le rapport, soulignent-ils, contribuent à rendre l'expérience des administrateurs plus féconde et plus enrichissante.

* * * * *

Le Comité britannique et nord-américain a été formé en 1969 pour étudier un large éventail de facteurs économiques qui influent sur les relations entre le Canada, les États-Unis et le Royaume-Uni. Ses membres sont des dirigeants des milieux des affaires, syndical, agricole et professionnel qui sont impliqués dans les relations entre les trois pays. Le Comité est parrainé au Canada par l'Institut C.D. Howe, aux États-Unis par le Center for Strategic and International Studies, et au Royaume-Uni par la British-North American Research Association. Le président nord-américain du Comité est Robert D. Rogers, président et chef de la direction de Texas Industries Inc. à Dallas (É.-U.).

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EFFECTIVE
GOVERNANCE
OF
NONPROFIT
ORGANIZATIONS

A Paper by Rob Paton

and

Members of the British–North American Committee



About the Sponsoring Organizations

The British–North American Research Association was inaugurated in December 1969. Its primary purpose is to sponsor research on British–North American economic relations in association with the British–North American Committee. Publications of the British–North American Research Association, as well as publications of the British–North American Committee, are available from the association’s office, Grosvenor Gardens House, 35-37 Grosvenor Gardens, London SW1W 0BS. The association is registered as a charity and is governed by a council under the chairmanship of Sir John Daniel.

The Center for Strategic and International Studies (CSIS), established in 1962, is a private, tax-exempt institution focusing on international public policy issues. Its research is nonpartisan and nonproprietary. CSIS is dedicated to policy impact. It seeks to inform and shape selected policy decisions in government and the private sector to meet the increasingly complex and difficult global challenges that leaders will confront in this new century. It achieves this mission in four ways: by generating strategic analysis that is anticipatory and interdisciplinary; by convening policymakers and other influential parties to assess key issues; by building structures for policy action; and by developing leaders. CSIS is located at 1800 K Street, N.W., Washington, D.C. 20006. Sam Nunn chairs its Board of Trustees and John J. Hamre is its president and CEO.

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SIR JOHN DANIEL
RON OSBORNE
ROBERT ROGERS

Joint Chairs of the British–North American Committee

Effective Governance of Nonprofit Organizations

A BNAC STATEMENT*

Members of the British–North American Committee (BNAC) serve on the boards of voluntary organizations operating across the full spectrum of the nonprofit sector: from the arts, education, and humanitarian charities, through to medical research and public policy bodies. From our experience, we are sure that business leaders can benefit enormously from involvement in these organizations. Such involvement provides the opportunity for those in business to apply their talents and experience to, and learn from, the handling of complex issues in the best interests of stakeholders—interests that are much more difficult to identify than those of the shareholders to whom they are normally accountable. We are also certain that future leaders in our countries, from all walks of life, would enhance their effectiveness and contribution to society if they have and take the opportunity to join the boards of nonprofit organizations (NPOs).

In particular, we recommend that corporate boards and senior executives should support the involvement of the next generation of business leaders in NPOs. Not only should this enhance their personal and professional development by exposing them to management challenges that are different in significant ways, it should also help nurture, in a practical way, a sense of social responsibility without which few companies will be truly successful in future decades.

We recognize, however, that the nonprofit sector is experiencing radical developments that place greater pressures on the members of nonprofit boards. Greater competition for some, and greater scrutiny for all, are forcing NPOs to become ever more professional and businesslike in their behavior. BNAC members, therefore, decided to issue this paper in the belief that one of the best ways to ensure effective participation of business and other leaders in NPOs of all sorts would be to publish a set of questions concern-

*BNAC Members who have signed this statement are listed on pages 17-27.

ing the governance of such organizations. Addressing these questions should help individuals—when first invited to join a nonprofit board and regularly thereafter—to strengthen the management and operations of any NPO. The questions provide guidance for monitoring nonprofit governance and should contribute to making the board member’s experience both constructive and rewarding.

The paper starts with some analysis by Rob Paton, head of the Management Learning Unit of the Open University Business School, concerning the new challenges facing NPOs and the new contributions that will be demanded of board members. He then highlights the competing roles that boards often play and the common pitfalls into which they fall in terms of board governance. The paper concludes by offering a set of questions that BNAC members recommend to guide current and future board members in their governance of NPOs.

THE EXPANSION OF THE NONPROFIT SECTOR

Over the last decade, the extraordinarily varied assortment of agencies, educational bodies, campaigns, foundations, self-help federations, and socially oriented businesses that compose what we call the nonprofit sector has grown rapidly in size, significance, and sophistication. Most obviously, governments’ loss has been NPOs’ gain—stepping in as service provider under contract, expressing new social concerns, creating new forms and new roles, and leveraging the communications revolution to maximize their reach and impact. All the major social changes and challenges of our time—medical research, the environment, an aging population, urbanization, crime, and even the new information technologies—have stimulated growth in some part or other of the nonprofit sector. Less obviously, nonprofit globalization has also proceeded apace—transnational challenges in the environment and in development have demanded transnational responses. Increasingly, NPOs seem to have what intergovernmental bodies and even some multinational companies lack: a mix of expertise and public credibility.

NEW CHALLENGES FOR NPOs

As they have expanded over the last decade, NPOs have also faced a host of new challenges, which are forcing them to change substantially and quite rapidly, and which have often served as a trigger for board turbulence.

- Competition for resources is intense.
- Scrutiny by guardians of the common good, both statutory and self-appointed, is becoming closer and more intrusive. Media challenges are commonplace and the public is more questioning.
- New foundations see themselves as social venture capitalists, nurturing a portfolio of social entrepreneurs and expecting to see clear returns on their social investments.
- Sponsorship deals and joint public-private-voluntary partnerships are the order of the day. Charging clients and customers realistically, contracting-in the provision of public services, media-based fundraising techniques, and other developments have brought new measurements and commercial pressures into day-to-day activity.
- A new breed of nonprofit career managers has replaced the charity administrators of yore—MBAs abound. Finance and other professionals have been recruited from the private sector.
- Modern management ideas and techniques—TQM, benchmarking, risk assessment—are adopted far more readily, even eagerly. Large representative boards have been culled and cut back. Increasingly, the business model is the norm.

Currently, these challenges and responses are most visible within the relatively small number of large NPOs—the national and international brands of the sector and those that have grown rapidly on a diet of public contracts. Even local NPOs will recognize some of these pressures, however, and they will become more pressing in the future.

NEW CONTRIBUTIONS? THE ROLE OF BUSINESS LEADERS

Historically, the contribution of business leaders to the nonprofit sector has been seen as strengthening the management function, complementing a passion for the mission—be it religious, artistic, or humanitarian—with financial realism and a focus on results. Business has been at its best when it has found ways to work with the grain, developing the organization's culture without seeming to threaten precious commitments. But as NPOs face ever more complex challenges, so the transfer of experience needs to be more specific, and business leaders can indeed bring specific skills to bear.

Strategic Investment and Risk Taking

One still hears of boards appalled at the idea of investing six- or seven-figure sums in fundraising technology and systems, or unable to handle the investments risk in relation to new care facilities in an era of contracting.

Information Management

Many agencies struggle with the baroque monitoring requirements of their various service purchasers (this is *not* what “outcome funding” was meant to mean); others have this more or less systematized. But very few have integrated systems and regular external (benchmarking) information to help with strategic review at a program or organizational level. No wonder boards tend to get brief narratives with a few summary figures—or a mass of operational detail.

Back to Basics and Process Reengineering

Every industry faces restructuring sooner or later, and nonprofit activities are no different. Major debates and transformations are underway in the fields of international development, disability, and higher education, to name only three. Nonprofits, too, sometimes need to be reminded whom they are there for, and need help in adopting different paradigms and processes, or in recognizing the logic of merger.

IN SEARCH OF GOOD PRACTICE

As the growth of the nonprofit sector has proceeded and the challenges have become more complex, so the governance function has become a major focus for attention, especially for business leaders. Whatever their potential contributions, if an organization’s governance structures or methods are not effective, the advice or leadership of a business official will not lead to improvement.

“The fish rots from the head”—and the integrity, effectiveness, and renewal of agencies large and small depend on the exercise of responsible oversight by unpaid, nonexecutive boards of trustees. Books, reports, manuals, self-assessment tools, Web sites, and specialist organizations have all proliferated (see annex). There is now no shortage of advice emphasizing the considerable responsibilities of trustees and how to avoid such pitfalls as:

- the interfering board—looking over managers shoulders and soaking up staff time without adding value;
- the complacent or naïve board—allowing strategic drift, inefficiency, loss of control, and misuse or misappropriation of funds; or,
- the confused and divided board—an arena for unresolved differences of purpose and strategy.

Tales of such difficulties are a large and familiar part of the folklore of the sector. But if it is so clear what should be done, why do the problems keep recurring? Is nonprofit governance particularly accident prone?

SOURCES OF DIFFERENCE

Remuneration and legal frameworks aside, why should nonprofit boards be any different from boards in the corporate sector? This parallels the old debate about whether management is the same everywhere, and the answer is the same: governance and management will differ only to the extent that the tasks and context differ. The areas of difference most often noted include:

- the nature of the mission and problems of measuring performance against the mission—which commonly leads to the absence of a bottom line that would allow comparisons with other organizations;
- a substantially professional workforce, with commitments to professional norms and bodies;
- values and culture, including consensual and collegial norms—volunteers and professionals do not like it if they are not consulted;
- resource acquisition—often involving a separation between funder/donor and service recipient/customer—and different patterns of stakeholder involvement; and,
- size—compared to the corporate sector, most nonprofits are small and medium-sized organizations with limited management resources.

These differences are real, if sometimes subtle. But their significance is easily overstated, reinforcing outdated sectoral stereotypes. The diversity within both sectors is enormous, and many of the reported differences between sectors actually have far more to do with differences between fields of activity. If you have board-level experience in a private residential home for the elderly, then becoming a trustee of a nonprofit residential home will be straightforward compared to joining the board of a manufacturing company. The moral is clear: know your industry.

COMPETING ROLES

One reason for difficulties with governance becomes clear if we ask members what tasks they see themselves as accomplishing on boards. There seem to be four main answers.

Charitable trusteeship. This role involves safeguarding the assets and making sure they are applied to the purposes for which they were intended. This perspective is underpinned by legal and administrative considerations and addresses the historic problem of agents acting in their own rather than in the beneficiaries' interests. It assumes a stable context.

Stakeholder representation. This role involves ensuring responsiveness and legitimacy by giving a seat at the table to all those whose contribution or endorsement is essential (service users, careers, partner agencies, funders, professional bodies). Essentially, this is a political perspective, drawing on the idea of democratic accountability as a continuing force in public life. It can be relevant to major, semipublic institutions, but also to new, cross-sectoral partnerships aimed at creating frameworks of agreement for new initiatives in urban regeneration.

Supporting the "doers." This role involves assisting the organization's leadership by taking on largely ceremonial board roles, by lending one's name, interceding on the agency's behalf, helping with fundraising, and advising or providing organizational resources in kind. Joined by mutual respect, a common concern, and shared purpose, such friends still expect to be kept informed, and they can provide sympathetic challenges as well as support—often appropriate in the entrepreneurial phase when a new agency is addressing an emergent need or a neglected client group.

Table 1

	Boards' primary task	Contribution of members	Board-staff relations	Key issues
Trusteeship model	Stewardship of resources	Policymaking, and ensuring the integrity of procedures and controls	Board decides, staff administers	Ensuring efficient administration of effective programs
Political model	Stakeholder representation	Credibility with a constituency, flexibility, political realism	Board controls executive (one interest group among others)	Coalition management—creative synergy or mutual vetoes?
Supporters club	Opening doors and wallets	Social, business, and professional contacts	Trusting, shared interests	Maintaining a very clear focus for all activity
Business model	Strategic direction	Board-level experience and relevant expertise	Partnership with the executive, though one with inherent tensions	Performance management; hiring and firing the chief executive

Directing the business. This role involves working with the executive to formulate and oversee strategy, while also ensuring that the management process is in safe hands and delivering results. This represents a corporate perspective, reflecting the increased complexity, dynamism, and scale of nonprofit activity, and one for which board members need to have both the expertise and the time.

Each role is backed by a powerful logic, but the implications for board member roles, recruitment, time commitments, good practice, and staff-member relations are very different—as table 1, above, begins to indicate. If board members frequently interpret their roles in different ways, we can start to explain why good and capable people sharing the same commitments often end up frustrated and at cross-purposes. It also explains why the good practice guides offer different advice—they draw differentially on these four implicit models of governance.

What are the implications of these different perspectives of a nonprofit board's role?

- One cannot assume a common understanding of board roles and functions—if in doubt, check; and,
- A mix of perspectives and roles can work, but only so long as each is understood and appreciated.

Table 2

Dominant stakeholder	Potential pitfall	Field or example
Funders	Loss of autonomy, a government agency at one remove.	Widespread concern in welfare agencies (inflexibility, reduced standards, no more advocacy, innovation, etc.)
Staff	Domination by perspectives and concerns of professional staff at clients' expense	Well-documented cases in welfare and health
Donors-at-large	Sensationalism, reinforcing public misconceptions about complex issues	Arguably, animal welfare, environment, and mental health charities have all slipped into this pitfall
Customers	Pursuing lucrative rather than needy market segments as originally intended	Certain schools, counselling services, etc.
Members	Disarray in decisionmaking	Self-help and community groups, especially in their early, developing years
Beneficiaries	Stress and burnout; overcommitment; disorganization	Emergency relief and campaigning organizations, especially smaller and younger ones

COMMON PITFALLS

When one stakeholder is afforded undue influence—perhaps because another is too weak—NPOs can easily “go wrong.” The issues are summarized in table 2.

One implication may be that we should not be surprised if sustaining a creative balance is challenging—perhaps some contestation on a board and in relation to staff is normal and a sign of vitality—not exceptional and unfortunate?

BOARD DYNAMICS

Another explanation of board difficulties is in terms of cyclical processes. In the beginning, the board *is* the organization—its members are closely involved, doing, as well as deciding. Then staff are appointed, and the board retreats to a role of support and general oversight. But sooner or later there is a crisis, or at least a loss of confidence, and the board decides it must act to put things right. It insists on more information, intervenes in programs,

rejects proposals, creates working parties, replaces the director, monitors closely, and generally reasserts control. But now it is engaged in management, not just governance, and members feel overcommitted. Confidence restored, the board once again delegates and works with the executive in a phase of corporate partnership. *But this is seldom a stable arrangement*—gradually the board becomes dependent again on an executive that holds the information. Members are reduced to ratifying the executive’s proposals; the formality of the rubber stamp reigns until the next crisis, when the cycle starts again.

Figure 1

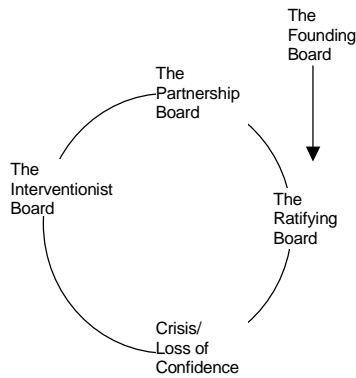


Figure 1 presents a simple model—simplistic indeed—but one that highlights important issues.

- The role of the board differs between “normal times” and upheavals, such as when a founder or CEO moves on;
- The board you join will have an evolving culture shaped by past events; and,
- The balance between trust and control needs constantly to be recreated and recontested if the greater costs and dangers of oscillation are to be avoided.

KEY QUESTIONS FOR BOARD MEMBERS AND DIRECTORS

Given the combination of an ever more complex set of challenges facing nonprofit boards and the frequently competing roles that groups of board members see themselves playing, it is hardly surprising that the offer to serve on the board of an NPO often now causes as much apprehension as satisfaction. In order to allay some of these concerns, help prospective or current board members better understand the nature of their responsibilities, and work toward possible remedies, the BNAC proposes the following set of questions as a checklist for better governance of NPOs.

We recognize that these questions are not applicable universally to the governance of all NPOs, the majority of which are preoccupied primarily with ensuring their survival. However, even the board members of smaller NPOs should find certain of these questions helpful, especially if their organization hopes to expand and either attract other high-quality board members to assist in that process or start to shift more of the management responsibilities onto employed staff. We firmly believe that the idea of good governance needs to be built into an NPO from the outset.

Board Self-Assessment

- Does the board have written *documentation laying out its mandate*, structure, method of member selection and duration of tenure, and chair's responsibilities, etc.? If not, would it be beneficial to adopt such documentation?
- Is the board divided into separate *committees*, each clearly responsible for different aspects of trusteeship and oversight? If not, would it be beneficial to do so?
- Does the board receive *sufficient materials in advance of board meetings* to make the meetings productive?
- Does the *format of board meetings* need to be changed in order to make them more productive or to secure better board member involvement?
- Are there effective procedures in place to ensure *follow-up on decisions* taken or suggestions made during board meetings?
- Does the board have in place the means to conduct a regular *self-assessment*?

-
- Do directors attend board and committee meetings regularly? Are there *limits to the number of years* a director may serve and a defined process for refreshing the board?

Providing Strategic Leadership

- Do all board members have a good *understanding of the mission and activities* of the NPO?
- Have you *reviewed recently the organization's stated mission and role*? Is this role still appropriate or does it need to be adapted to changes in the external environment or to changes in the NPO's capabilities?
- Do the NPO's specific activities *accurately reflect its mission and role*? Or has the organization become distracted by pressures, such as satisfying funders?
- When did the board last *benchmark the NPO's performance* against that of similar organizations? Does the board periodically assess the NPO's contributions or services in the light of alternative providers of the same contributions and services? Does the *board membership need updating* in order to match recent shifts in the NPO's mission and objectives?

Management Oversight

- Is the board satisfied that it has received or has established sufficiently *clearly specified goals against which to judge the performance* of the NPO's director/CEO and its senior management?
- Does the board regularly take steps to assure itself of *the quality and standard of services* provided and the degree of success of the NPO?
- Are board members receiving sufficient *information* at board meetings to be able to assess effectively the performance of the organization?
- When did the board last evaluate or challenge the *organizational structure* of the NPO? How might a change in the NPO's

organization better allow it to fulfill its mission and immediate objectives?

- Might the introduction of new *information technology* (IT) improve the NPO's ability to perform its mission or deliver specific services? How could IT better enable the NPO to meet the monitoring requirements of its various service purchasers or funders?
- When did board members last have an opportunity to *meet with NPO staff members*, in or outside board meetings, beyond those at the senior management level?

Providing Support to the NPO with Its External Constituencies and Stakeholders

- Does the board have a good sense of who are the NPO's key *external constituents and stakeholders* and the means to obtain their input on the NPO's performance?
- Is the NPO *communicating its mission, work program, and achievements* effectively and sufficiently to key outside constituencies on a regular basis?
- Is the board *making good use of its members' personal contacts and experience* to support externally the NPO's mission and objectives, whether by promoting the group among personal networks or by "opening doors" to funding opportunities?

Fulfilling the Role of Charitable and Financial Trustees

- Does the composition of the board *represent the interests of the NPO's key stakeholders*?
- Do all board members understand fully the *financial structure and cash flows* of the NPO? Is there a dependency on governmental funding and how secure is it? Does private funding potential exist from a dedicated constituency (e.g., alumni in the case of an educational institution)? Is there an endowment fund to stabilize and enhance funding? Is the history of the NPO one of financial stability, operating on a cash flow positive basis? If not, why not?

Table 3

		Year 1				Year 2			
NPO framework	Board agenda	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Board assessment	Board membership	X				X			
	Committee reports/appointments			X				X	
	Self-assessment (board mandate/structure)							X	
Strategic leadership	Mission review	X							
	Benchmarking against counterpart NPOs					X			
Management oversight	Review of NPO's ongoing work	X		X		X		X	
	Performance appraisal for CEO/senior staff			X				X	
	Review organizational structure					X			
	Infrastructure requirements	X							
External relations	Meeting with staff				X				X
	Communications review			X				X	
	Review of board members' external networks							X	
Financial oversight	Financial review	X		X		X		X	
	Audit	X				X			
	Compensation issues			X					

- Does the board or one of its committees conduct regular *reviews of the NPO's financial performance and projections*—expenses, revenues, and investments? Should the board consider adopting a more explicit supervisory role?
- Is the board sufficiently confident that the NPO's management has the *controls, procedures, and resources in place to manage financial risks*, whether external or internal?
- Are the board members aware of the personal *legal responsibilities* that each has accepted as a board member?

- Does the board receive information enabling it to *assess legal and other compliance* issues with the management?
- Does the board have a good sense of the *levels of remuneration* received by senior management and of the differentials between senior and junior staff?

A useful tool for nonprofit boards, particularly those that draw relatively few members from the business community, may be to adopt an agenda-planning schedule similar to those used in many corporate boards (table 3, on the previous page, shows a generic example). Such planning schedules ensure that key strategic, performance, management, and governance issues come before the board at regular intervals. They thus guard against the danger that changes in the environment or in the NPO itself take the board by surprise.

CONCLUSION

Even as the importance of their role in society grows, NPOs are entering an increasingly competitive phase, both in terms of securing the funds to pursue their missions, and also in terms of attracting high-quality board members to help achieve their goals. Recruiting good new board members and keeping valuable members engaged in the nonprofit sector may become harder rather than easier in coming years.

BNAC members are convinced of the value of participation in NPOs, which offers great personal rewards while also potentially serving as a catalyst for the introduction of new ideas into corporate boards. We do not, however, underestimate the difficulties of achieving systems of good governance, without which NPOs will flounder and the benefits of participation will diminish. It is hard to ensure that all board members share a common vision regarding their role on a nonprofit board. It is also hard to escape the cyclical dynamic described in this paper between the “ratifying board,” the “interventionist board,” and the “partnership board.” We hope that the set of governance questions offered herein can, at the very least, help to even out the peaks and troughs in this cyclical process. We also believe that these questions will serve as a useful tool for future business leaders who want to join the nonprofit sector in the pursuit of its many important missions.

ANNEX: KEY SOURCES AND RESOURCES

First ports of call for good practice guidance are:

- The National Center for Nonprofit Boards (www.ncnb.org)
- The Canadian Centre for Philanthropy (www.ccp.ca)
- The National Council for Voluntary Organisations (www.ncvo-vol.org.uk)

Each lists publications, support services, and further contacts concerning governance. Another useful site is the Peter F. Drucker Center for Nonprofit Management (www.pfdf.org).

Some of the issues in the New Challenges for NPOs section of this paper are explored further in R. Paton, "Performance Measurement and Public Confidence," Briefing Paper 1 (London: Charities Aid Foundation, 1998).

The section, Sources of Difference, draws on R. Paton and C. Cornforth, "What's Different about Managing in Voluntary and Nonprofit Organizations?" in J. Batsleer, C. Cornforth, and R. Paton, eds., *Issues in Voluntary and Non-profit Management* (Reading, MA: Addison-Wesley, 1992).

Competing Roles and the table it contains are derived and developed from C. Cornforth and C. Edwards, "Board Roles in the Strategic Management of Public Service and NPOs: Emerging Theory and Practice," *Corporate Governance and International Review*, vol. 7, no. 4 (1999).

Board Dynamics adapts the ideas of M.M. Wood "Is governing board behaviour cyclical?" *Nonprofit Management and Leadership*, vol. 3, no. 2 (1992): 139-163.

The Ducker Foundation has developed an organizational Self-Assessment Tool which provides a process for nonprofit organizations to clarify mission, define results, set goals, and develop a focused plan. Information about this instrument can be accessed at <<http://pdf.org/leaderbooks/sat/index.html>>.

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