Governance in the Non-Profit Sector (Part 3 of 3)

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Problems can arise with a board of directors. Why should a board be different after all? Some of these problems or shortfalls can be extremely detrimental to an organization's effectiveness and they could lead to serious issues of liability. Or the shortfalls can be a nuisance to a board that undermines its potential to effectively govern the organization. Here are some of the more common shortfalls.

As indicated in Part 1 of these articles, a board of directors can exist for different reasons and if that purpose is not clearly determined, role confusion can ensue. This can result in lost time, frustration and weak decisions by the directors of a board. Similarly, mandate drift can result from the ongoing changes occurring in a board's environment and this can bear the same results.

Recruiting and the renewal of board directors is one of the most critical functions of a board. Where a board lacks organization or experience, recruitment can be left to the organization's CEO. This can work well, but the risk of a board becoming a repository of the CEO's friends arises and if this occurs, the board's function of monitoring the CEO's performance can be compromised. Recruitment is difficult, particularly when directors contribute their time and energy voluntarily. Adding to this difficulty is the need to ensure a proper mix of skills among the directors to address the varied challenges of the organization. Synergy will enhance a board's effectiveness in providing leadership for the organization and this can rely greatly on the interpersonal compatibility of the directors. Compatibility will help reduce conflict among board directors, it will facilitate more open communication and it will also increase the harmony within this group of persons. Without the proper mix of individuals, a board's effectiveness will be compromised.

Board directors are people who interact with their community. They may well relate socially or familiarly to employees of the organization. They may come into contact as directors with the larger community while attending church or shopping in town. Without adequate boundaries established for and respected by directors, the ensuing communications can cause misinformation about the organization or lead to conflicts internal to the board, the CEO and the organization.

Meetings are central to what boards of directors do. We have all experienced bad meetings that for a variety of reasons can be very frustrating, painful and even acrimonious. Many things can go wrong in meetings. Here are a few:

- The personal agendas or biases of individual directors that may conflict with the wellbeing of the organization are left to dominate meetings.
- The meetings lose track of the organization's performance.
- Directors lobby for side deals outside of meetings. This reduces the meetings to rubber-stamping governance

decisions (The *Municipal Act* makes this activity unlawful for city councils).

- Confusion persists about the confidentiality of board meetings. Boards should operate openly and transparently, but some parts of their functioning should be private and confidential.
- Board directors do not respect the board's decisions and indicate their displeasure or disagreement with the decisions outside of the meetings.
- Boards spend too much time on scrutinizing the organization's financial performance. Nothing wrong with being financially responsible, but many other issues should be crowding a board's agenda.
- The minutes of meetings are inadequate or too voluminous to efficiently record board decisions. Or too much time may be wasted reviewing and approving board minutes. Moreover, the distribution of board minutes may not serve the board's or the organization's best interests.

Finally, board meetings may not foster amicable communications or maintain a positive perspective on the organization's progress by failing to recognize and celebrate its successes.

Without adequate experience or knowledge, a board may find itself engaged in unlawful activity that can have severe implications for the integrity of the organization and the liability of individual board directors. Conflicts of interest can cripple internal and external board relationships and if they are not managed effectively, one incident, whether actual or perceived can undo months or years of integrity and hard work.

Given the variety of the above shortfalls, issues of a board's liability can arise. Governing a non-profit organization is a serious business. Doing so can be very rewarding for a director, but governing also carries an onus of responsibility that should not be neglected. These realities can best be met with a board exercising its due diligence and with an adequate documentation of its terms of reference or its by-laws that are complemented by the organization's policies and procedures.