

Governance



DAYBREAK CONSULTING

Getting to Know You

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- Who are you?
- What is your role in the Library System?
- What is your board experience (on this and other boards)?
- One word that captures how you feel about “governance”



The Workshop Plan

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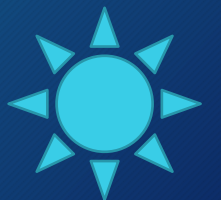
1. Governance Fixed Requirements
 - a) The role and structure of non-profit organizations
 - b) the role and duties of board members
2. Governance Functions:
 - a) The Why, How, and Approaches to Governance
3. Organizational Circumstances
4. The process and people-based Enablers of strong Governance



My Governance Values

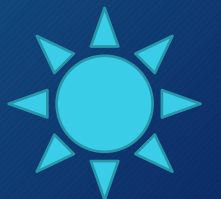
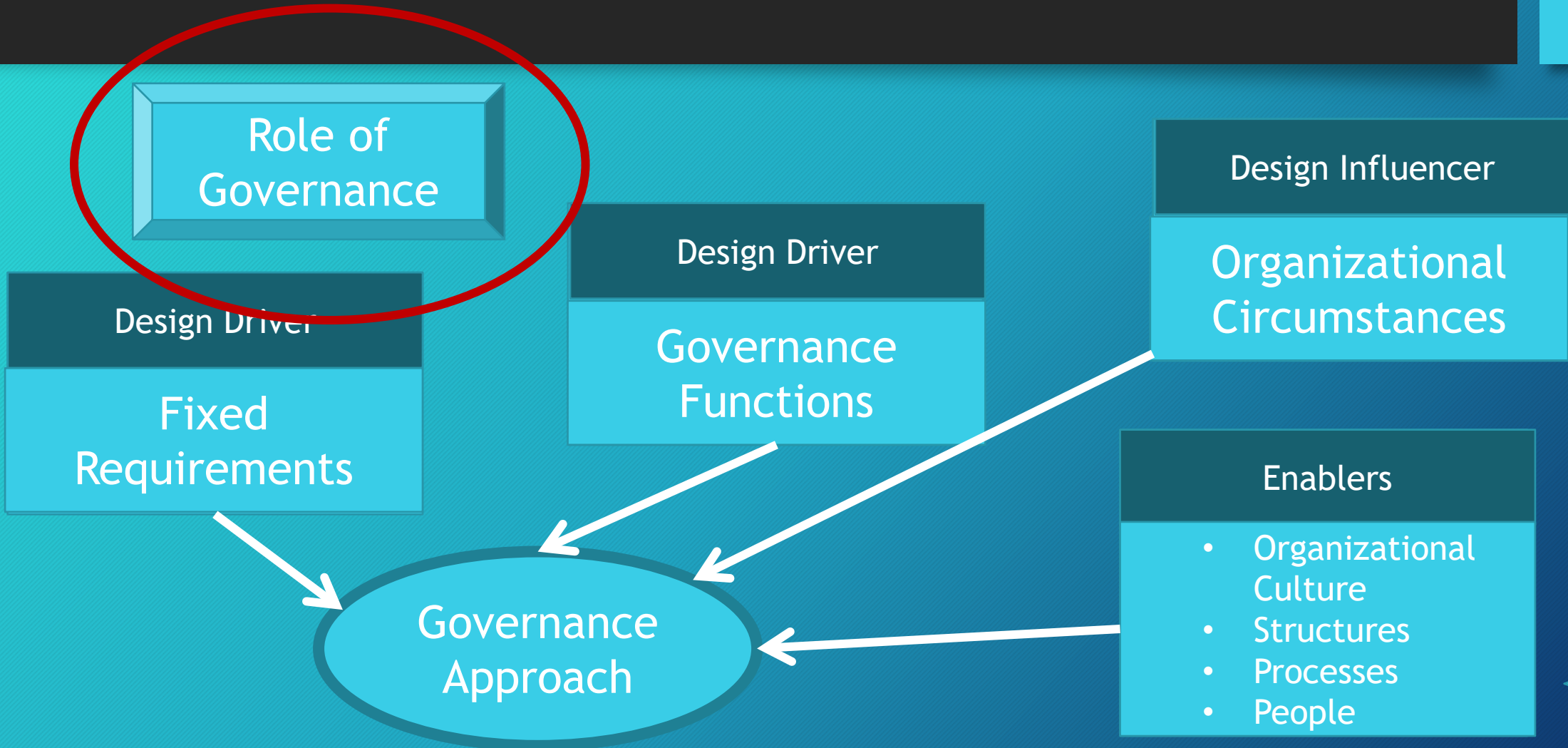
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- There is no “one size fits all” answer to how you govern your organization
- You should be designing your approach to governance based on your specific organization’s needs
- BUT, there are some basics that any governance approach needs to consider



Governance System

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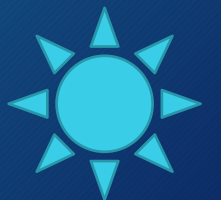


Role of Governance

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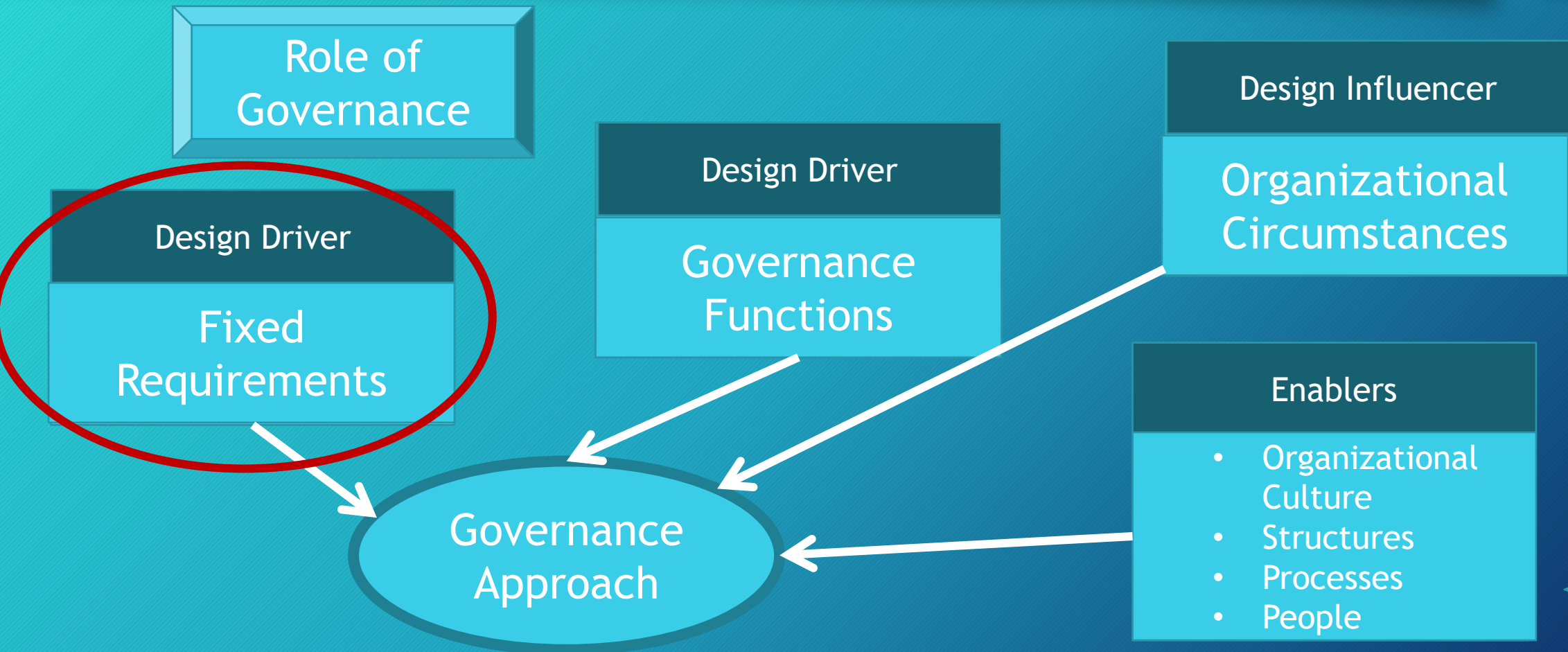
- When I say “role of governance” what immediately comes to mind?
- Think about what governance is intended to achieve:

Stewarding of the long-term ability of the organization to achieve its vision and mission – its purpose/mandate



Governance System

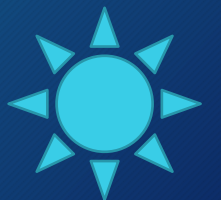
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Fixed Requirements of Non-Profit Organizations

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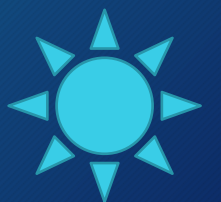
- Legally incorporated under federal or provincial law
- Formed to provide a service for its members or the public
- Any profits received from its activities must be used to further its purpose
- Governed by a volunteer board of directors who act as community/member representatives



Fixed Requirements of Non-Profit Organizations

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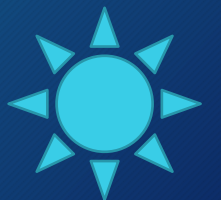
- What is a corporation?:
 - Incorporating gives an organization legal status and creates a distinct legal being
 - A corporation can take part in legal proceedings in its own name
 - A corporation can own and sell property in its own name
 - Generally, a board member of a corporation is shielded from the liability of the corporation unless there is demonstrated negligence
 - A corporation continues to exist as the same legal being even when the board members change



Library Structure in Saskatchewan

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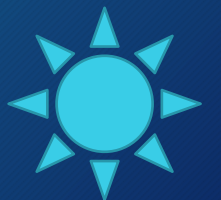
- Three basic entities, each of which is a “corporation” in law and governed by a board of directors
 - Regional Libraries
 - Municipal Libraries (Regina, Saskatoon, Prince Albert)
 - Northern Library System



Role of the Board in each Structure

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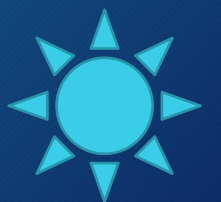
- The general management, regulation and control of the library corporation, for example...
 - High level policies
 - Strategic direction
 - Budget approval (subject to the approval of municipal councils)
 - Partnerships
- Appointing a director of the library



Local Libraries

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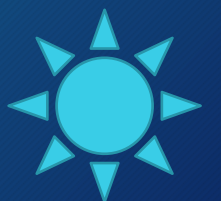
- Within a region:
 - Local libraries are not corporations. Some local libraries have incorporated under *The Nonprofit Corporations Act*, but *The Public Libraries Act* does not establish them as a corporation automatically
 - Essentially Local Boards act as advisory boards established to advise on local programs and levels of service and to promote the library locally
 - The Regional Library Board must consult with local boards on decisions which affect the local library.



Local Libraries

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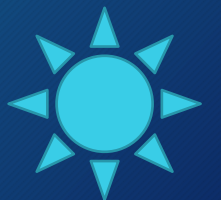
- Within the Northern System:
 - Northern Community Public Libraries are corporations.
 - They are part of the Northern Library System, but also nonprofit corporations in their own right
 - They are responsible for the oversight and operation of the Northern Community Public Library, within the Northern System.



Discussion

- Why is it essential to understand how your library and library board is structured?

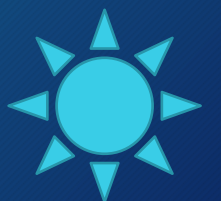
Discuss at your table and be prepared to report your conclusions to the room.



Fixed Requirements of Non-Profit Organizations

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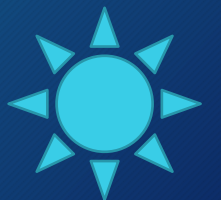
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Board of Directors

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- There are three general areas of duties and obligations imposed on directors of non-profit corporations:
 - **Fiduciary Duty**
 - **Duty of Care**
 - **Statutory Liability**



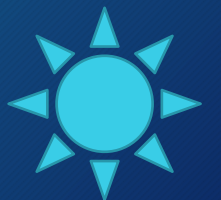
Board of Directors

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- **Fiduciary Duty**

Fiduciary duty is a requirement that, when exercising the powers of a director, you will “act honestly and in good faith with a view to the best interests of the corporation.”

As a director you would be breaching your fiduciary duty (your duty to act honestly and in good faith) if you agreed to redirect funds donated for one purpose to another. For example, the board voted to use money donated to a building fund to pay general operating expenses



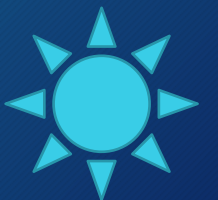
Board of Directors

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- **Duty of Care**

The duty of care is a requirement that the directors “exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.” This means that:

- As a director, you are not obligated to take all possible care but you must use reasonable care.
- As a director you may delegate appropriate responsibilities to committees, officers and managers and have the right to rely on auditors, lawyers and other experts.
- As a director, you must pay attention to the activities and affairs of the corporation.



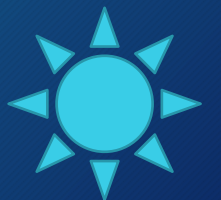
Board of Directors

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- **Statutory Liability**

There are some instances where, as a director of a non-profit corporation, you can be held directly and personally responsible for failure of the corporation to perform a particular obligation.

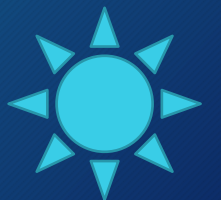
- *The Saskatchewan Employment Act and the Income Tax Act*
- *The Public Libraries Act*
- *The Criminal Code*
- Insurance



Conflict of Interest

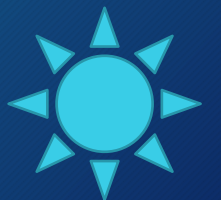
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- **Personal Conflict**
 - There can be a personal conflict between your duty as a director to act in the best interest of the non-profit corporation and your own self-interest.
- **Conflict in Duties Owed to Another**
 - There can also be a conflict where your duties to the corporation as a director conflict with the duties you owe to another person or corporation. This can happen when you are a director of two corporations, or you are the director of one corporation and you serve another corporation in another capacity, and the two corporations are involved in one or more transactions. This can arise where you cannot honour your obligations to one without acting against the interests of the other.



Exercise

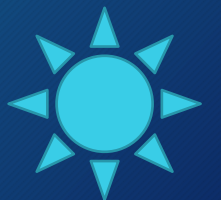
- Pick one of the following governance relationships and discuss:
 - Regional boards \leftrightarrow Local boards
 - Northern Office Board \leftrightarrow Northern community boards
- What is the authority of each level of board?
- How do you know?
- Where does the authority for each level of board come from?
- To whom are the boards accountable for their authority?



Discussion

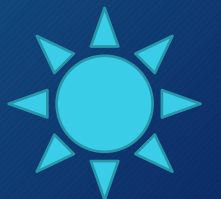
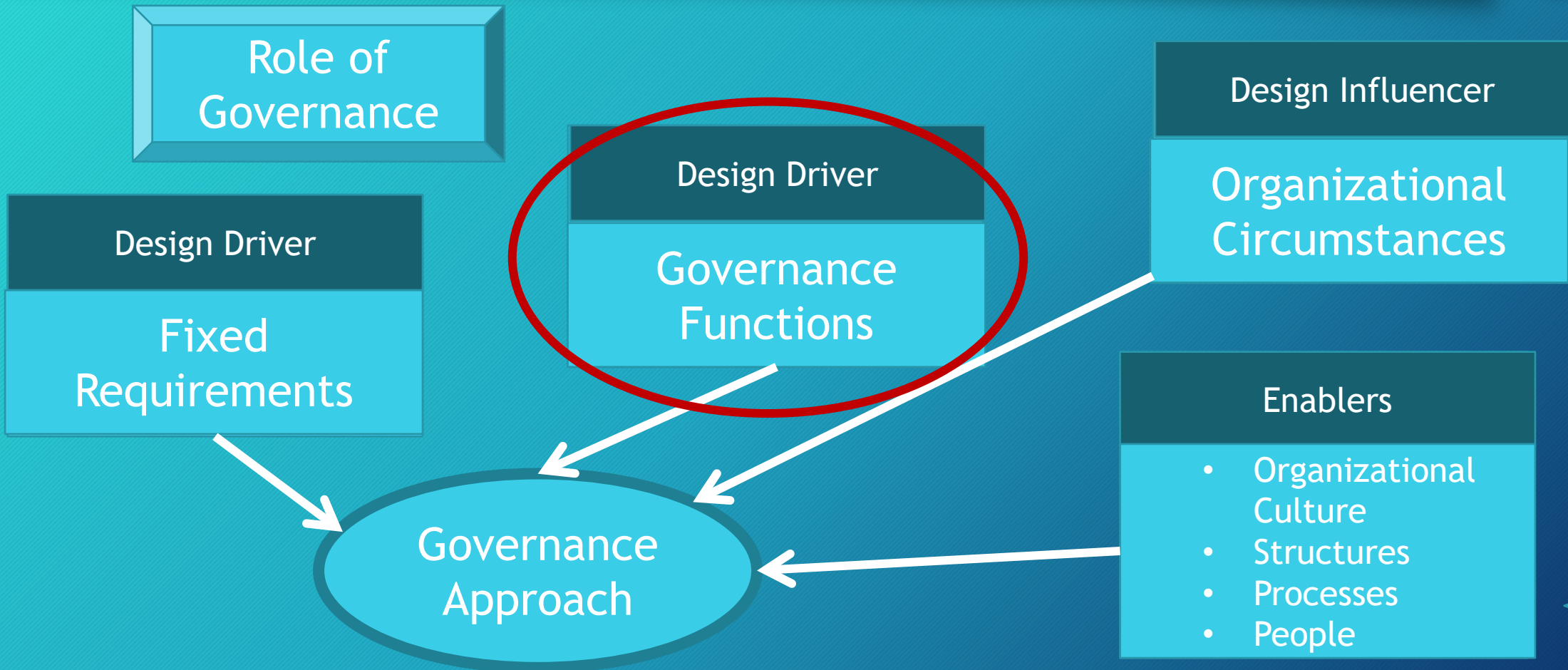
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- Surprises?
- Concerns?
- Implications?
- What, if anything, do you need to do differently in your library to ensure you are *meeting the Fixed Requirements*?



Governance System

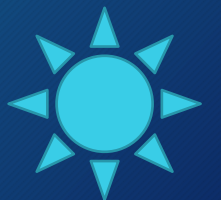
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Governance Functions

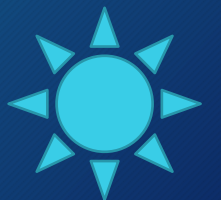
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- Individually, think about what the *function* of governance is...
 - Write down a few and then we'll discuss



Governance = Decision Making Authority +
Accountability

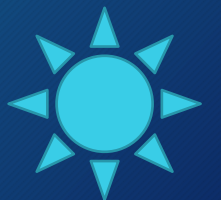
- A key Governance function is:
 - Ensuring clarity in decision making authority and accountability when it is *shared* or *delegated*
 - Formal or informal “rules”



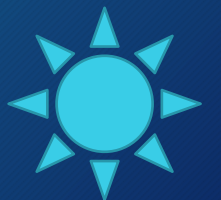
Governance Functions

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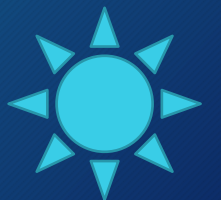
- Spousal relationship....
 - What are the governance needs?



- Independent sole proprietor private enterprise....
 - What are the governance needs?

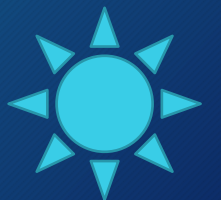


- Partnership private enterprise....
 - What are the governance needs?



Governance = Decision Making Authority +
Accountability

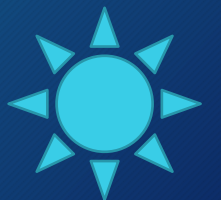
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How is Governance Practiced?

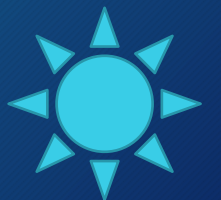
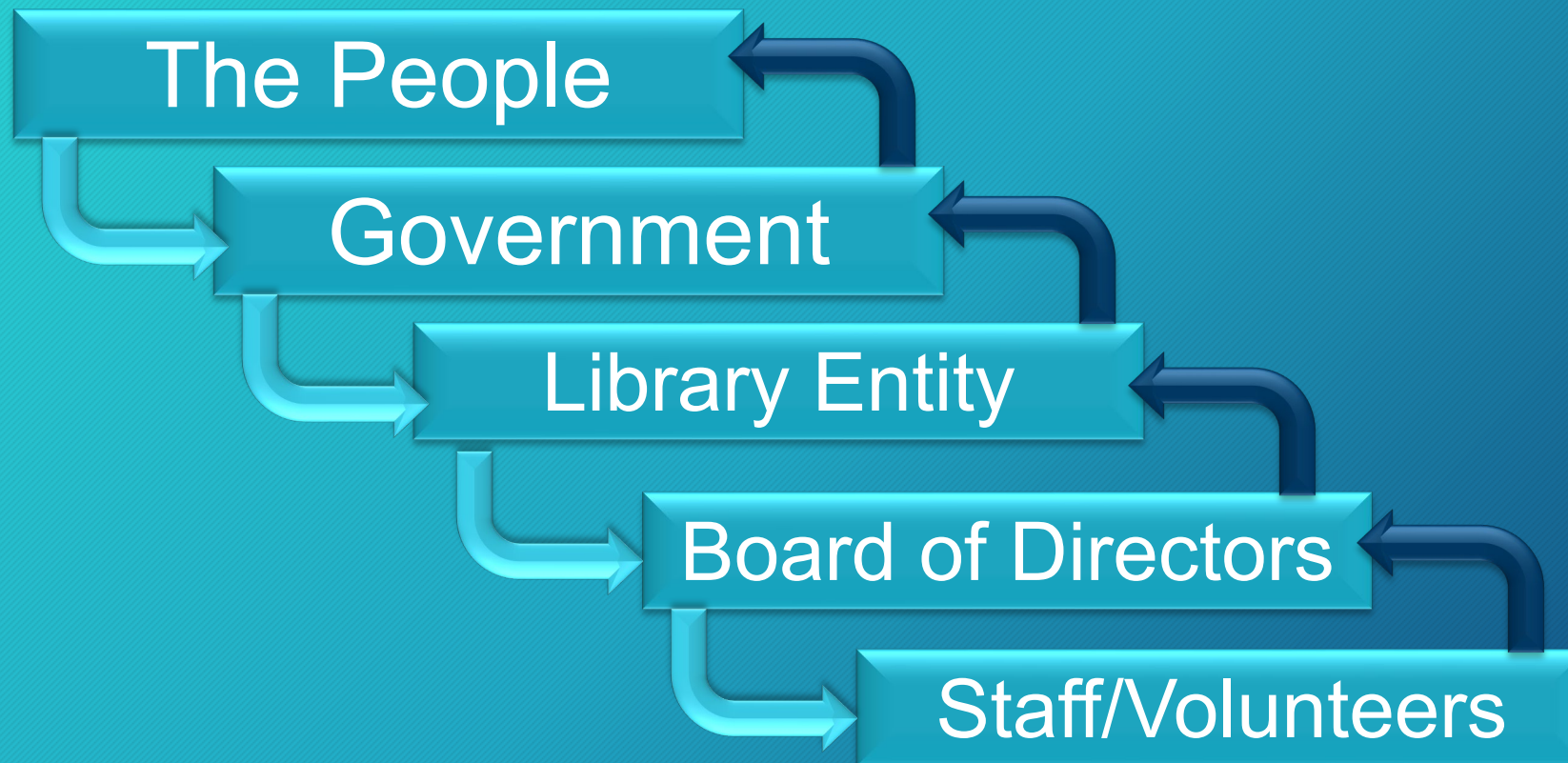
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- The highest authority in any large, complex enterprise will not likely have the capacity to undertake all aspects of overseeing an organization.
- Authority and accountability, therefore, is addressed in a cascading series of delegations
- Typically, the further along the continuum the delegations fall, decision making authority narrows and the focus of activity becomes less strategic and more operational



How is Governance Practised?

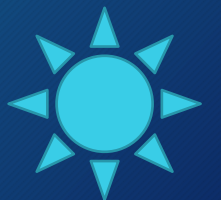
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Discussion

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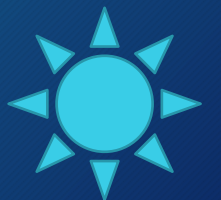
- *Where does the authority for your library board come from? Who delegates to them and how?*



How is Governance Practiced?

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- Municipal, Regional and Northern Libraries receive their authority from *The Public Libraries Act*
- The *Act* is also the means by which authority is delegated to the board. Since municipal councils appoint library boards and authorize budgets, there is also an accountability back to them
- The board should then formalize the delegation of any authority it cannot manage independently to others (e.g. the Library Director; committees; local boards) with clear lines and processes for accountability.



Role of the Board in Governance

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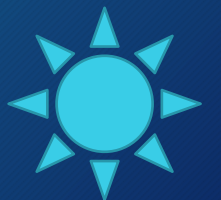
- The Board must manage governance in three ways:



Role of the Board in Governance

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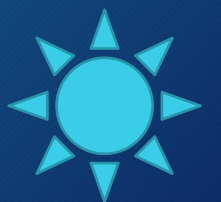
- The following are the key roles in overseeing a non-profit (including a library) that only the board can fulfill:
 - Determining the results your organization intends to achieve
 - Ensuring those results are achieved
 - Ensuring the organization remains sustainable so the results can continue to be achieved (risk management)
 - Accounting for and reporting on the progress of the organization to the delegating body



Governing Styles

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- There is not one “right” way to structure your library’s governance
 - It should be designed to meet the requirements and function of governance
 - But it should also be responsive to your organizational circumstances (capacity; lifecycle; etc.)
- Generally, the style of governance falls into a continuum based on the four responsibilities that can’t be delegated.

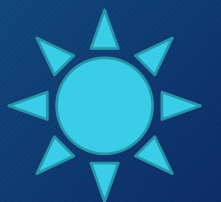


Governing Styles

Governance Approach	Board's Job	Staff's Job
Working Board	Determine Results Plan Strategies Design Programs Execute Strategies and Programs Manage Risk Report	n/a
Managing Board	Determine Results Plan Strategies Design Programs Manage Risk Report	Execute Strategies and Programs Support Risk Management Support Reporting
Governing Board	Determine Results Identify Risk Identify Reporting Expectations	Plan Strategies Design Programs Execute Strategies and Programs Manage Risk Report according to expectations

Implications

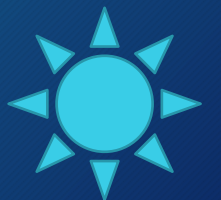
- Be clear about what decision making authority you have (and who gave it to you)
- Be clear about any decision making authority you give to or share with others and how they are going to be accountable to you for it
- Understand the *interests* you are obliged to care for -
 - Regardless of who appointed you to the board, those interests are always defined as those of the **whole** organization



Discussion

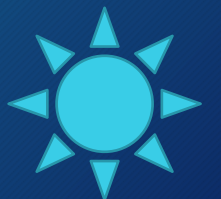
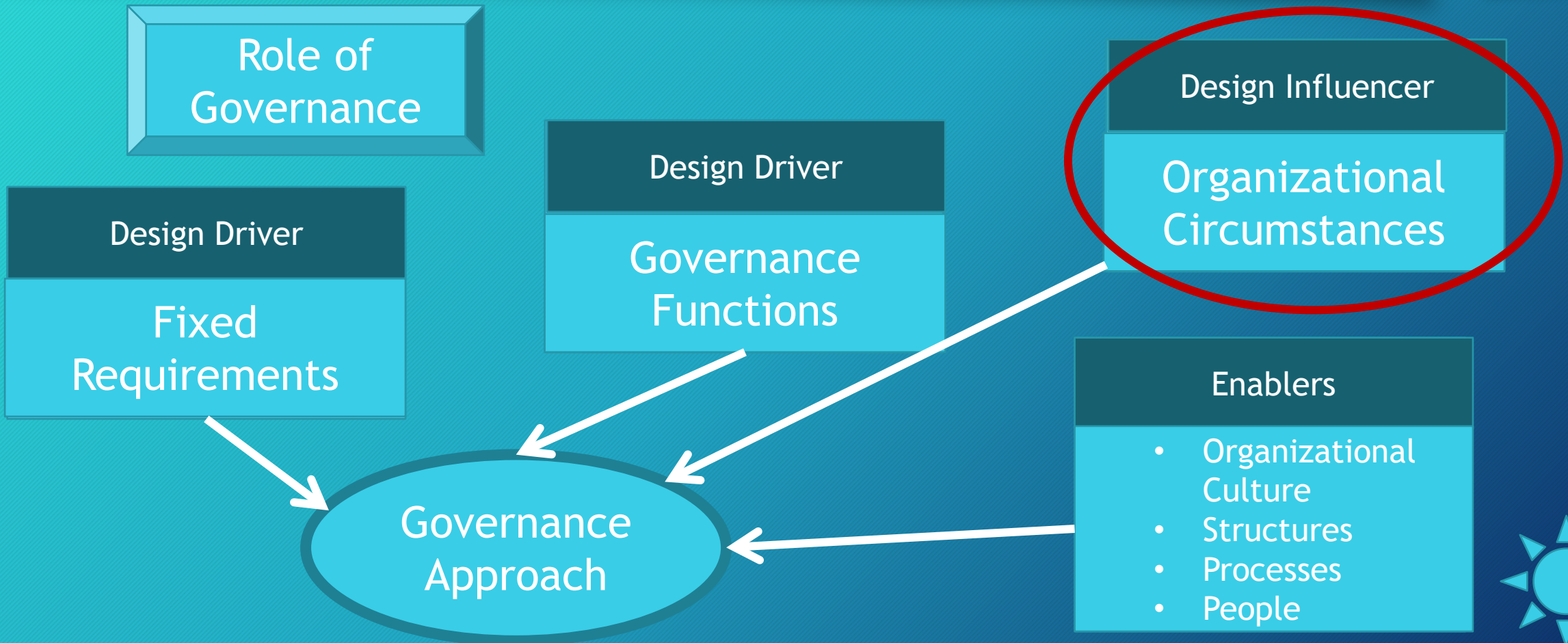
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- Surprises?
- Concerns?
- Implications?
- What, if anything, do you need to do differently in your library to ensure you are *fulfilling the Governance Function*?



Governance System

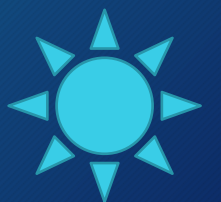
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Organizational Circumstances

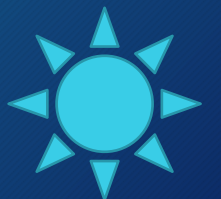
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- Many different factors
 - Structure of your organization
 - Size of your organization
 - Budget
 - Culture
 - Lifecycle Stage



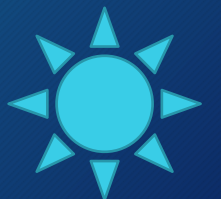
Discussion

- *What kinds of organizational structures would have an impact on governance design?*
- Organization is part of a larger integrated system
- Organization is an umbrella group for a larger integrated system



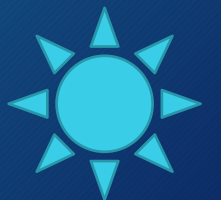
Discussion

- *What impact does organization size and budget have on governance design?*
- Presence or absence of staff
- Expectations regarding role of board members
- Complexity that must be stewarded



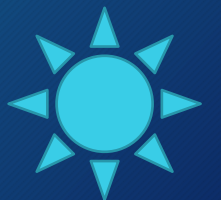
Discussion

- *What impact does organization culture have on governance design?*
- Role of members/stakeholders in decision making
- Operational vs strategic
- Technical vs conceptual



Discussion

- *What impact does organization life cycle stage have on governance design?*



What is the Lifecycles Capacity?

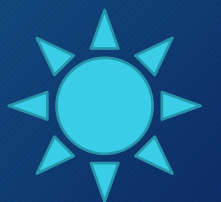
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Organizational Lifecycles:

- Just as people do, organizations develop over the duration of their existence, from start-up through growth and maturity and even to decline.

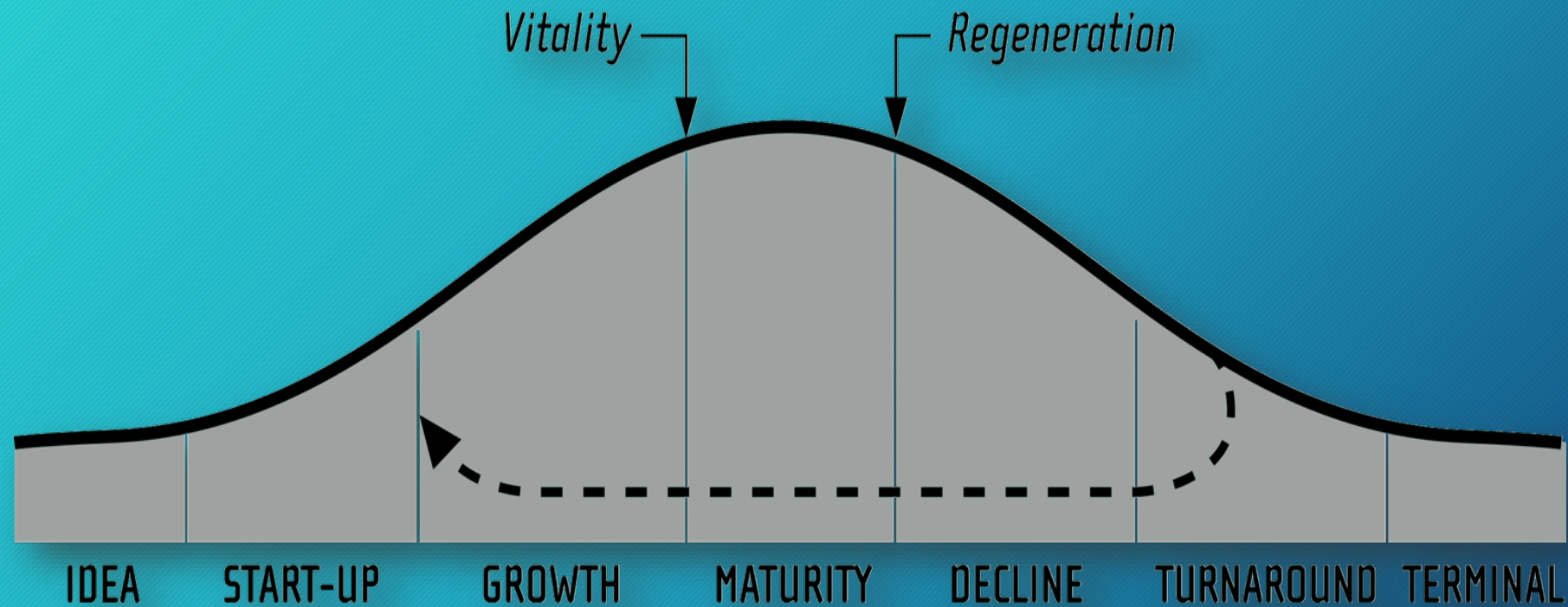
Lifecycles Consideration:

- Organizational competencies required for both board and staff at each lifecycle stage may look quite different from one stage of an organization's development to another.

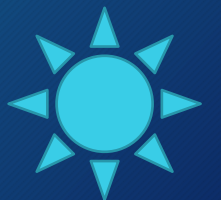


What is the Lifecycles Capacity Program?

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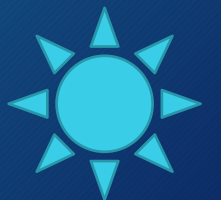


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Discussion

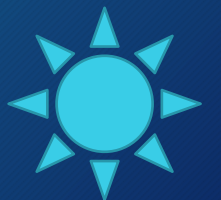
- *What impact does organization life cycle stage have on governance design?*
- Board as Workers → Leaders
- Relationship to staff/CEO
- Operational vs strategic



Discussion

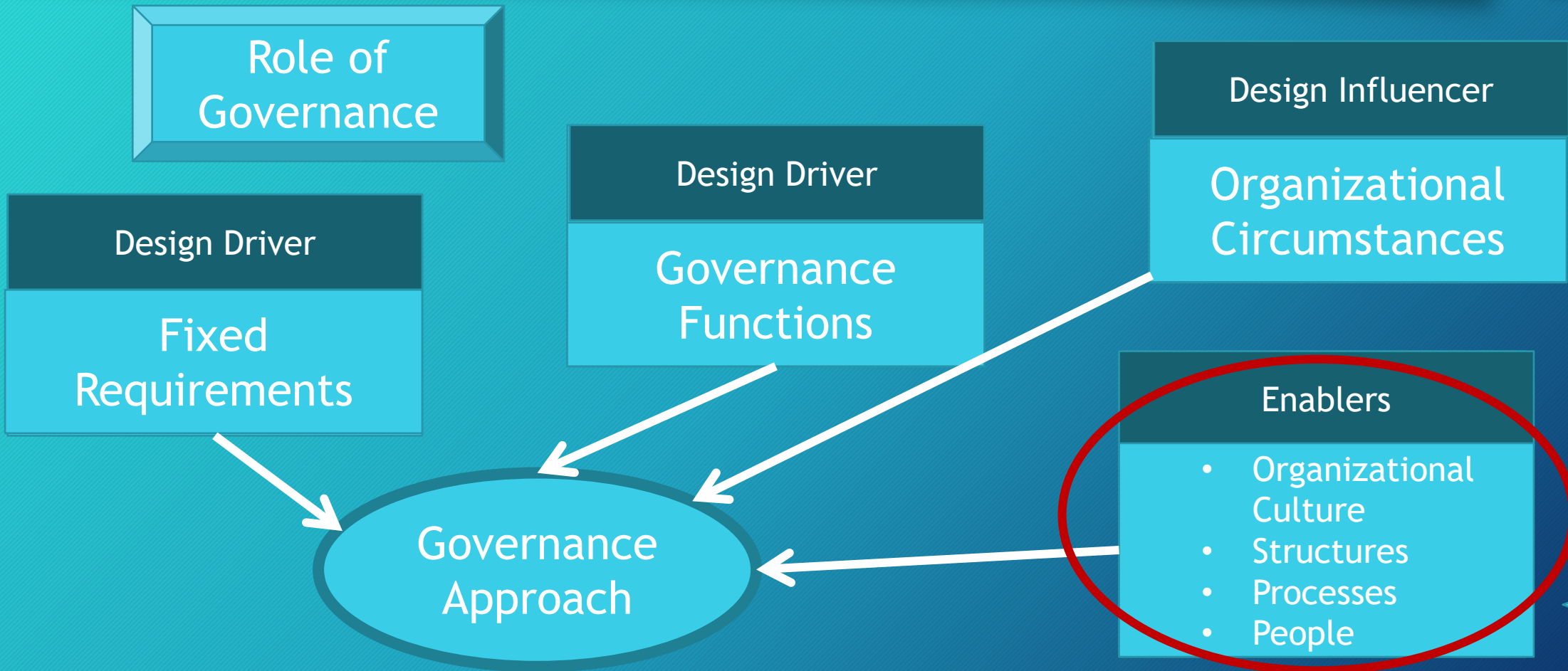
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- Surprises?
- Concerns?
- Implications?
- What, if anything, do you need to do differently in your library to ensure you are designing your governance to appropriately respond to your Library's *organizational circumstances*?



Governance System

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- What are the building blocks of a strong board and governance culture?

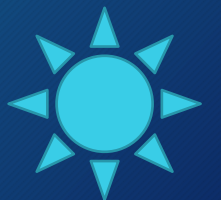
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Be Clear about Your Values

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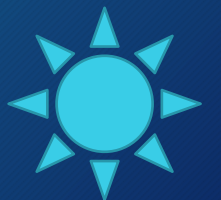
- How will you work together?
 - What does discussion look like?
 - How is conflict handled?
 - What is expected in terms of time and preparation?



Be Clear about Your Values

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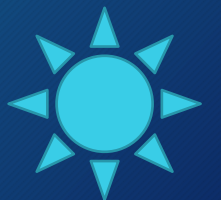
- How are meetings conducted?
 - Roberts Rules
 - Consensus
- How is board performance managed?
 - Contribution/Effort
 - Attendance
 - Adherence to behavioral norms



Have Strong Board Processes

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- Board practices will vary depending on your organization's lifecycle stage - many of these describe mature organizations and should be considered *aspirational*



Have Strong Board Processes

- Manuals

- Policies

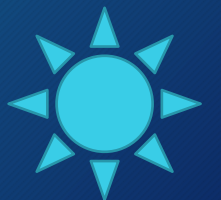
- Bylaws
 - Board values
 - Board attendance
 - Board relationship to staff (delegation of authority and monitoring)

- Strategic Plans

- Purpose
 - Future vision
 - Short and long term goals

- Job descriptions

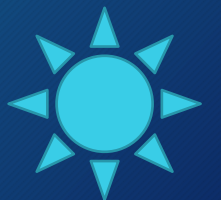
- Board jobs
 - Staff jobs



Have Strong Board Processes

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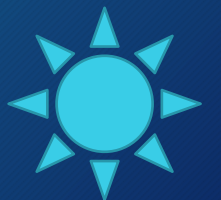
- Training
 - Orientation
 - Other opportunities to learn good board practices



Have Strong Board Processes

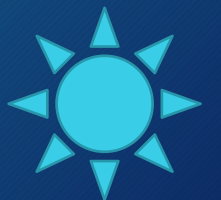
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- Processes/meeting management
 - Agendas/Meeting culture
 - Minutes (full discussion or decisions only)
 - In camera vs public (when and why)
 - Routine policy monitoring and review
 - Board self-evaluation



Discussion

- What can a board do to ensure the right people are recruited to the board?



Have Criteria for Board Members

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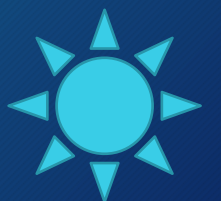
- What are the key criteria for a good board member?
 - Time and commitment to do the job
 - Care about the focus of your organization
 - Can provide your organization with insights that will improve decision making
 - Have knowledge or expertise about your mandate
 - Are representative of your clients/stakeholders
 - Have influence (and are willing to use it) in areas that will benefit your organization
 - Have professional skills that can support decision making (legal, financial, etc.)
 - Willing to learn



Recruiting the Right People

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- How to recruit the right people
 - Build a profile of the board you want and seek people to fulfil that profile
 - Who might be interested in your organization?
 - Where might we find those people?
 - What skills/abilities is our board missing? (Link to your criteria)
 - Expand beyond “people you know” - they tend to have too many characteristics that we already possess.



Building the Right Mix of People

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- Building the right “mix” of people on your board...
 - Who needs to be represented?
 - What skills and abilities are required?
 - What mix of gender; ethnocultural backgrounds makes sense?
 - What personality types?

- People who are able to question
- People who are doers
- People who are thinkers
- People who are planners

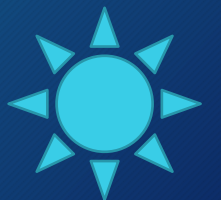
Typically, the type of people you are seeking will vary with your organization’s lifecycle and Governance Style



Discussion

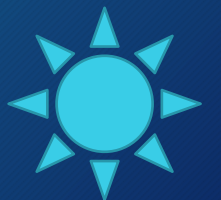
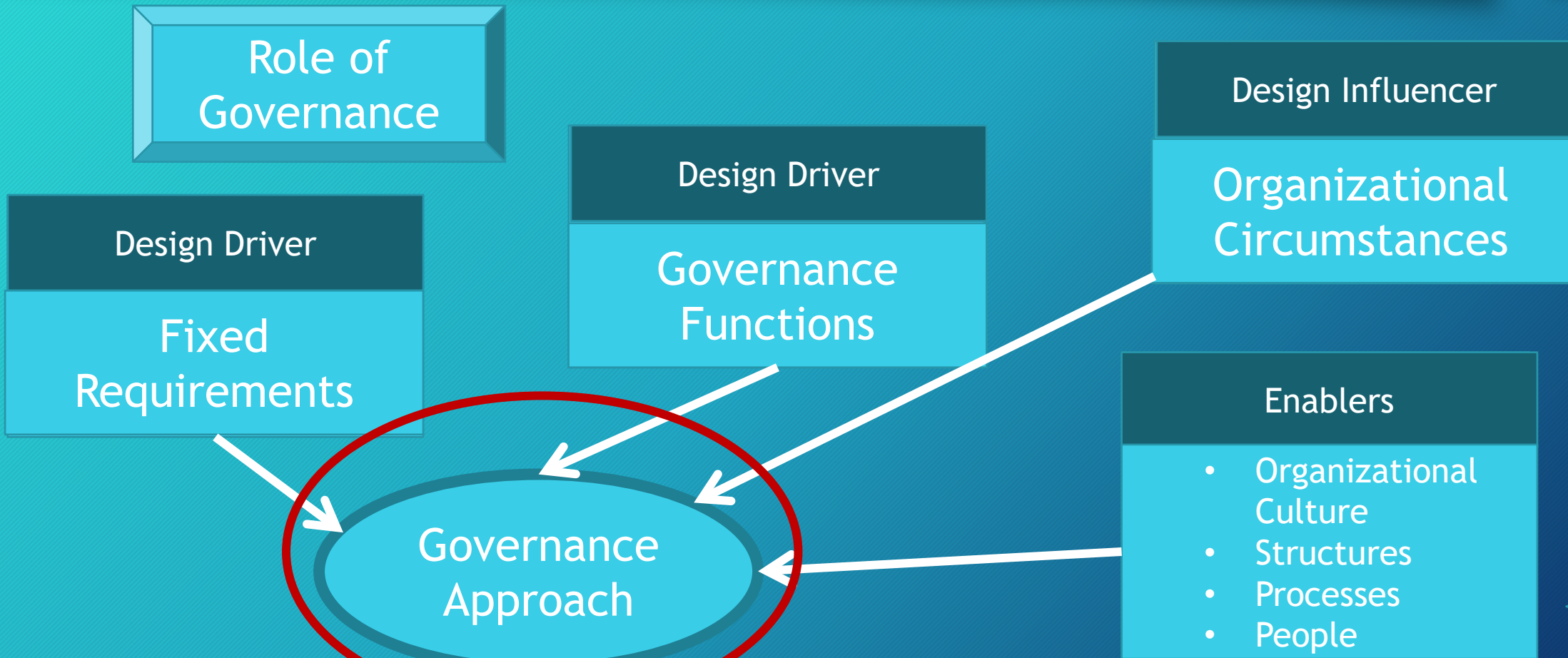
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- Surprises?
- Concerns?
- Implications?
- What, if anything, are you going to do to examine your people practices as they relate to the board?



Governance System

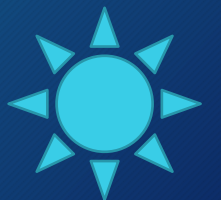
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The Workshop Plan

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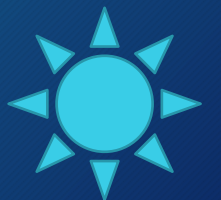
1. Governance Fixed Requirements
 - a) The role and structure of non-profit organizations
 - b) the role and duties of board members
2. Governance Functions:
 - a) The Why, How, and Approaches to Governance
3. Organizational Circumstances
4. The process and people-based Enablers of strong Governance



Wrap up and Roundtable

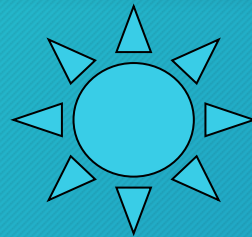
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- What is one “aha” you had today?
- What is one thing you will take away for your own Library?



Contact Information

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