

Institute of Community Directors Australia
(ICDA) NFP Governance Survey 2019

ICDA Spotlight Report: Assessing Board & CEO Performance

July 22, 2019



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Key Findings



Almost **one in three** not-for-profit boards **does not have any system** in place for **reviewing its own performance**.



The **larger** the organisation the **more likely** it is to have undertaken a **formal board review**.



More than a third of board members say they **did not receive a good induction**.



Half of board members believe they would **benefit from more governance training**.



Health sector boards appear to be **more formalised and organised** than others.



More than **one in ten** boards has **never reviewed the performance of the CEO**, and more than four in ten haven't conducted a CEO review in the past 12 months.



Most board members are **happy** with the **amount of time** they dedicate to their **board role**, though more than a quarter think it takes up too much of their time.



Board members from the **sport & recreation sector** are **far more likely** than average to think their board role **commands too much of their time**, and **far less likely** to think they **received a good induction**.

About The Survey

The Institute of Community Directors Australia (ICDA) surveyed 1878 senior leaders in the community sector in the six weeks leading to March 26, 2019.

Respondents came from all states and territories in Australia (with Victoria, New South Wales, Queensland and Western Australia dominating the sample), and were roughly evenly spread between the roles of senior management/CEO and board members.

Most respondents were involved in organisations in the community development; human services; education; health; arts and culture; and sports and recreation segments of the community sector.

The majority of respondents identified as women (71%), with 28% identifying as male and 0.48% non-binary.

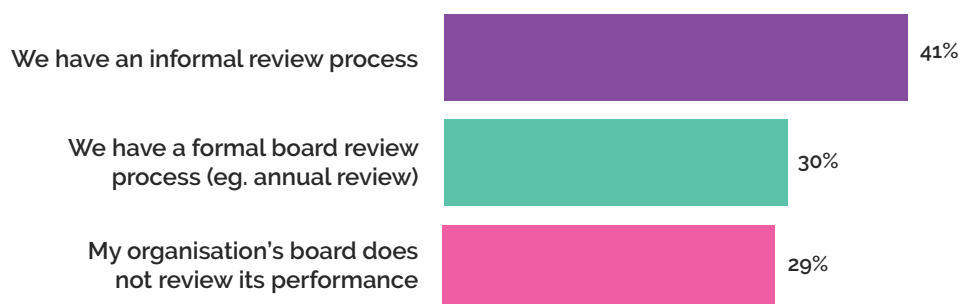
This *ICDA Spotlight Report* presents a snapshot of results relating to how boards review their own performance and that of their organisation's head person (CEO, executive director, etc). Further aspects of the survey will be released progressively over the next few months, with a final report incorporating all results to be released later in the year.

Detailed Results

We asked survey respondents to indicate which (if any) method their board used to review their own performance:

- **41%** indicated that their board had an **informal review process**
- **30%** said their board had a **formal review process**
- **29%** said their board **did not review its performance in any way**

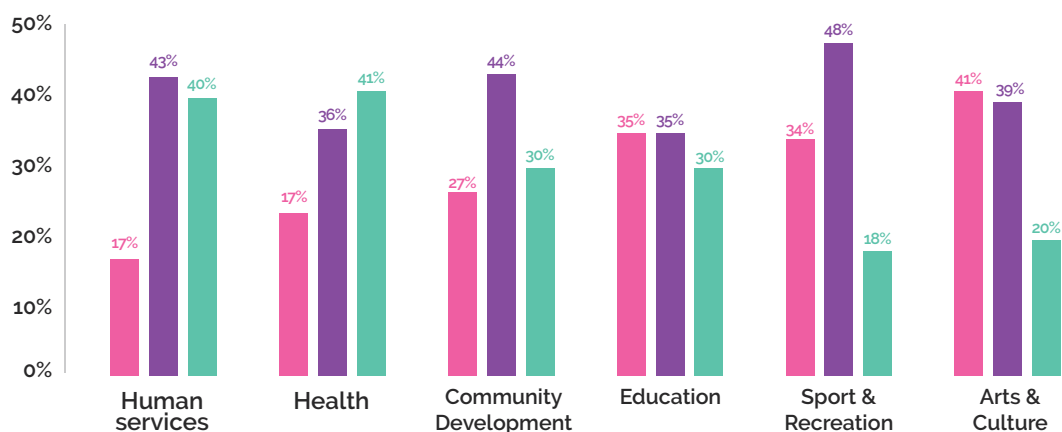
% of ICDA 2019 survey respondents that replied



This trend varies slightly from sector to sector, with the community development, human services, and health sectors more likely than others to conduct a board review. The majority of boards in these sectors have a formal or informal review process in place, while organisations in the arts and culture and sports and recreation sectors are less likely than others to have a review process in place.

Review process by sector (%)

- My organisation's board does not review its performance
- We have an informal review process
- We have a formal review process

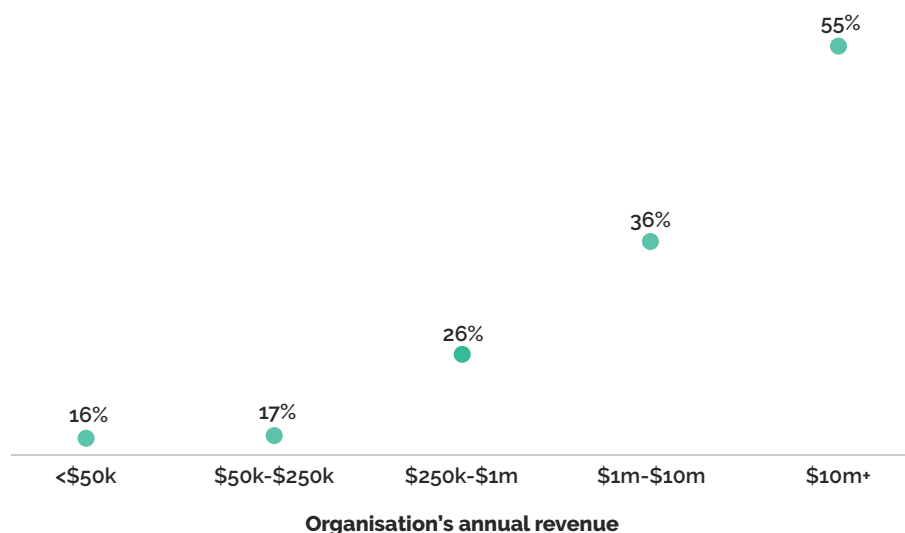


We also detected a variation in board review activities depending on an organisation's size. We found that board review is a common practice in larger organisations.¹

The percentage of boards that formally review their performance increases in line with an organisation's annual revenue.

Boards who perform formal reviews

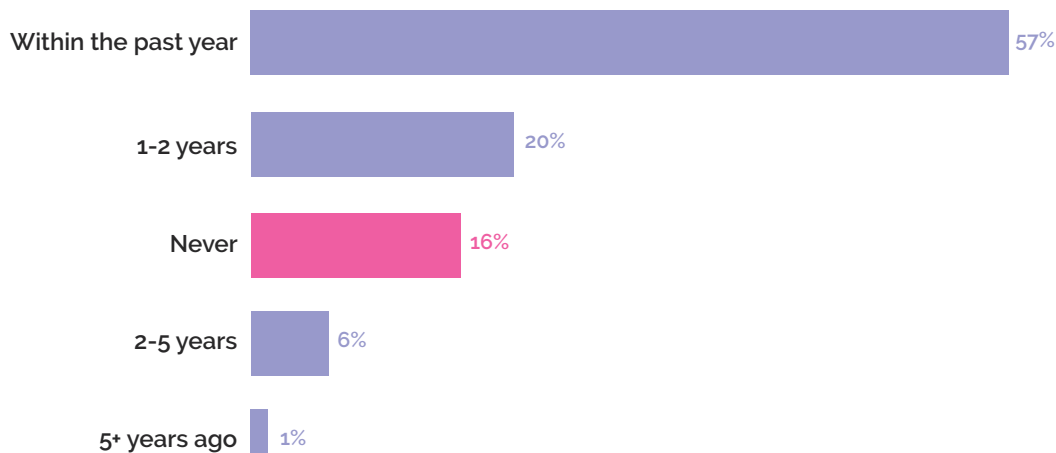
% of ICDA survey respondents by organisation's annual revenue



We also asked survey respondents to tell us about the frequency of CEO review. Although most boards (77%) said they had reviewed their CEO in the previous two years, more than one in 10 (16%) had never reviewed their CEO.

Last time that your board reviewed the CEO's performance

% of ICDA survey respondents by organisation's annual review



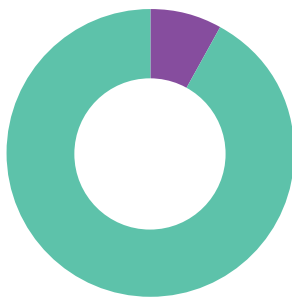
¹ We use annual turnover as a proxy for an organisation's size, in line with the Australian Charities and Not-for-Profits Commission formula

We sought to find out how CEO review practices compare to board review practices:

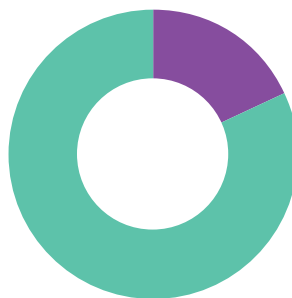
- **92%** of those who said that their board had a formal review in place said that they had reviewed their CEO in the previous two years.
- **82%** of those who said that their board had undertaken an informal review said that they had reviewed their CEO in the previous two years.
- **49%** of the respondents who said that "My organisation's board does not review its own performance" said that the organisation had reviewed its CEO in the previous two years.

Formal Review Processes

- Reviewed their CEO in the last two years
- Reviewed their CEO 2+ years ago or never



We have a formal review process (30% of ICDA 2019 response)



We have an informal review process (41% of ICDA 2019 response)



We do not review our board (29% of ICDA 2019 response)

We conclude from this that:

- **The more reflective a board is about itself, the more reflective it is about the CEO.** If a board has a self-review process in place, it's more likely to have reviewed its CEO in the previous two years (especially if it has a formal board review process in place).
- **Many boards that do not review their own performance think it's important to keep on top of the CEO performance,** with half of those who don't review themselves having reviewed the CEO over the previous two years.

Our survey asked respondents to rate their levels of satisfaction and experiences in their board role. We isolated the responses of board members and found both some causes for celebration, and some things that may prompt remedial action:



Note: "not applicable" responses are not shown

These trends are generally consistent across organisations regardless of size and sector, with the exception of board members in the sport and recreation sector (who fell below the trend) and the health sector (who rose above it).

In sport and recreation:

- 46% of board members agreed with the statement "My board role takes too much of my time" – which is 18% more than the average response (28%) across all sectors
- 22% agreed with the statement "I received a good induction" – 23% less than the average (45%)

In the health sector:

- 57% of board members agreed with the statement "I received a good induction" – 12% higher than the average (45%)
- 35% of board members agreed with the statement "I have participated in a review of my performance as a director" – 11% higher than the average (24%)
- 75% of board members agreed with the statement "I have participated in governance training" – 13% higher than the average (62%)

It seems logical to conclude that the health sector has more procedures in place (formal reviews, inductions for board members, governance training), while the sport and recreation sector is less formal than other sectors.

Feedback/Recommendations/Next Steps

What do you make of these results? How should the sector, and those who work to resource and upskill the sector, respond?

Send your feedback to service@ourcommunity.com.au, tweet us at [@OurCommunityAU](https://twitter.com/OurCommunityAU), tag us on Facebook at [@OurCommunity.com.au](https://www.facebook.com/OurCommunity.com.au), and contribute to the conversation in our Facebook group, [Not-for-profit Happy Hour Australia](https://www.facebook.com/Not-for-profit-Happy-Hour-Australia).

We'll incorporate feedback into our final report, which is due for release later in the year.

If you would like to be notified when further ICDA Spotlight Reports are released, join up as a member of the Institute of Community Directors Australia – visit www.icda.com.au to find out more.

About Institute of Community Directors Australia

The Institute of Community Directors Australia (ICDA) is Australia's best-practice governance network for not-for-profit boards, committees, councils, schools, and their staff.

An Our Community enterprise, ICDA delivers information, tools, training, events, qualifications and credentials to not-for-profits of all kinds. Activities include:

- Spearheading the Festival of Community Directors, a year-long program of events designed to celebrate and educate not-for-profit board members and the senior staff who support them
- Delivering Australia's premier nationally recognised qualification for not-for-profit leaders, the Diploma of Business (Governance) [in partnership with our partner Federation Training]
- Pioneering new governance training methods, including our landmark online compact courses
- Providing a suite of governance tools, including a range of practical helpsheets, templates and books, plus a free Board Matching Service and a free Policy Bank
- Face-to-face and online peer networking and support
- Regular newsletters to keep members informed and in touch

ICDA is led by the innovative members of the Our Community founding team, Denis Moriarty (Our Community Founder and Group Managing Director) and Patrick Moriarty (Institute of Community Directors Australia Executive Director), with input from the Our Community Board, comprising founding Chair Carol Schwartz and ethicist Dr Simon Longstaff.

Its work is guided by the Community Directors Council, which is chaired by Associate Professor Susan Pascoe AM, alongside 10 Australian community sector luminaries.

Find out more about ICDA at www.icda.com.au

This report has been prepared for ICDA
by the Our Community Innovation Lab.

Visit:

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Appendix: What questions are analysed in this report?

- **Qu 7: What is your organisation's approximate annual revenue?**
[Less than \$50,000; \$50,001 - \$250,000; \$250,001 - \$1 million; \$1 million - \$10 million; \$10 million - \$100 million; \$100 million +; Don't know/would rather not say]
- **Qu 8: Select the one of the main field in which your organisation works**
[Agriculture, fisheries and forestry; Animal welfare; Arts and culture; Community development; Economic development; Education; Environment; Health; Human rights; Human services (including disability organisations); Information and communications; International relations; Public affairs; Public safety; Religion; Science; Social sciences; Sport and recreation; Other – please specify]
- **Qu 11: How does your board review its own performance?**
[We have a formal board review process (e.g. annual review); We have an informal review process; My organisation's board does not review its performance; Don't know]
- **Qu 12: When was the last time the board reviewed the performance of your organisation's head person (CEO/manager)?**
[1-2 years ago; 2-5 years ago; 5+ years ago; Within the past 10 years; Never; Don't know; Not applicable]
- **Qu16: How do you feel about your role as a board director? Choose agree, disagree or not applicable.**
[I received a good induction when I joined the board; I enjoy my role as a board member; I understand clearly my responsibilities as a board member; My board role takes up too much of my time; My contribution as a community director is valued by my community; I would benefit from more governance training than I have had to date; I have participated in a review of my performance as a director; I have participated in governance training; I am planning to leave my board role soon]