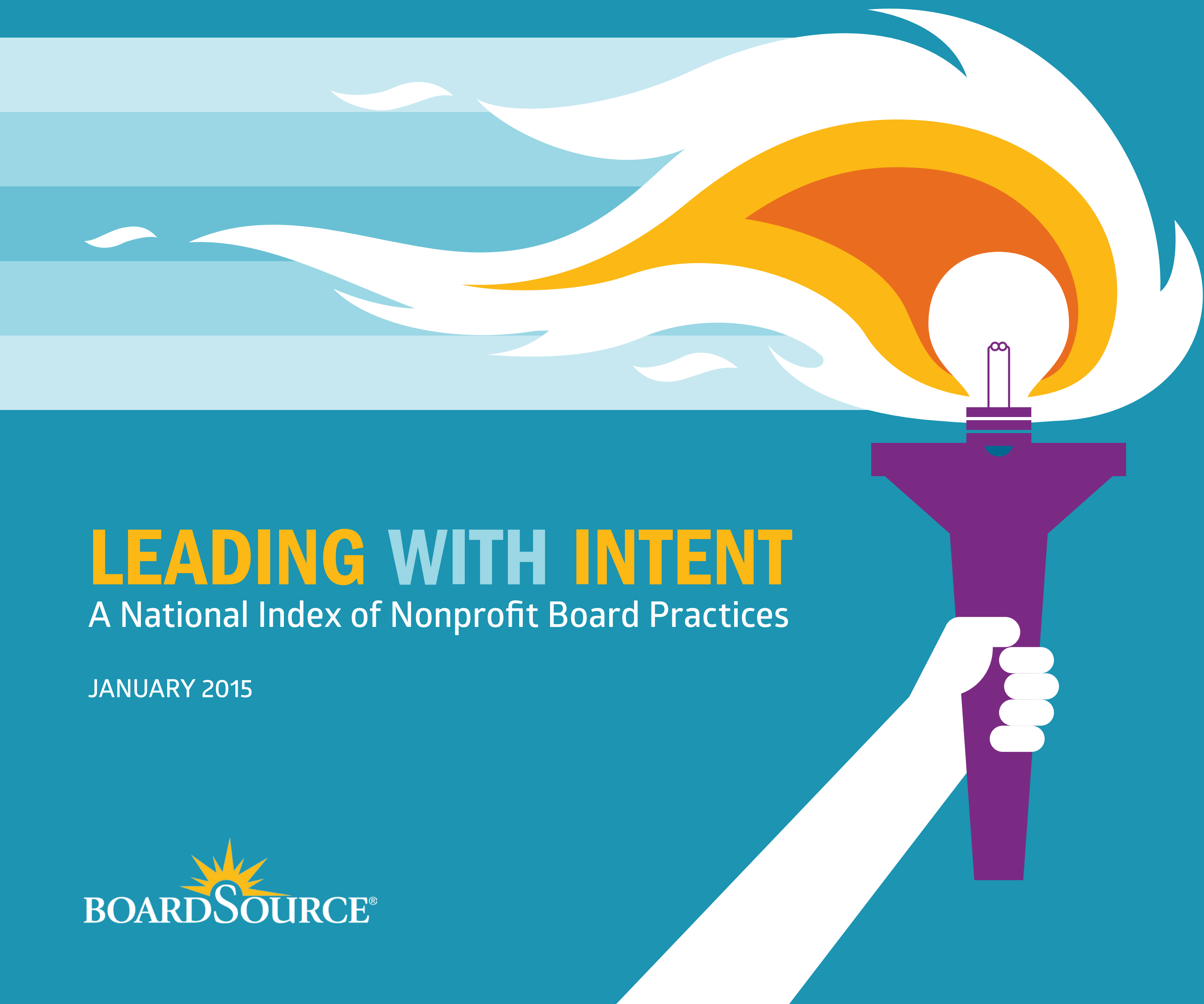

LEADING WITH INTENT

A National Index of Nonprofit Board Practices

JANUARY 2015

BOARDSOURCE®

CONTENTS

CITATION
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On behalf of BoardSource,

Thank you for your interest in *Leading with Intent*, a comprehensive scan of nonprofit board practices, policies, and performance. Building on data that BoardSource has collected and analyzed dating back to 1994, this report is a powerful window into current board leadership and trends.

While there is lots of good news to share, the bottom line is that nonprofit leaders give nonprofit boards a “B minus” grade in overall performance. *Leading with Intent* explores why that is, and — more importantly — what we can do about it.

BoardSource views *Leading with Intent* as a call to action not only to us, but to all who care about the health of the nonprofit sector, and, in response, we are investing more deeply in several strategies that align with key findings:

- **Getting the people right is fundamental.** *Leading with Intent* finds that if a board isn’t thoughtfully composed as it relates to skill sets, leadership styles, and diversity of thought and background, it is less likely to excel in other areas of board performance. But unfortunately,
  - only 1 in 5 chief executives strongly agree that they have the right board members
  - 58% of chief executives say it is difficult to find people to serve on the board — up from 44% in 2012
  - board diversity has improved slightly, but a full 25% of boards remain exclusively White

  Looking ahead: Over the next several years, BoardSource will be expanding our efforts to help nonprofit boards strengthen their recruitment practices and become more diverse and inclusive.

- **Boards need to get outside of their comfort zones.** *Leading with Intent* finds that boards do well at functions related to compliance and oversight, but face challenges with their strategic and external work. In an operating environment that is characterized by constant change, this is a wake-up call: Boards need to get outside of their comfort zones and provide stronger external leadership — especially in fundraising and advocacy — that enables their organizations to adapt and adjust to change.

  Looking ahead: BoardSource will continue to challenge boards to embrace the important role that they play as external ambassadors for their missions. The *Stand for Your Mission* campaign, which highlights the potential for positive mission impact through strategic board engagement in advocacy, is one example of this work.

- **Investments in board development are worth the effort.** Building and strengthening a board takes ongoing, intentional effort. *Leading with Intent* explores the pain points that many boards are experiencing, and highlights the important role that board self-assessment can play in improving board performance.

  Looking ahead: BoardSource will continue to challenge boards to be more intentional about their performance and to support ongoing, assessment-based board development through our organizational membership program, which makes year-round board development accessible to organizations of all sizes.

A sector that is characterized by strong and effective board leadership is within our reach, but it will not happen on its own. We need to focus our energies and resources to support boards that are working diligently to strengthen their own performance, and we need to challenge those that are not to set a higher bar for themselves and their missions. This is our challenge to ourselves, and our invitation to you.

In partnership,

Anne Wallestad
President & CEO

Vernetta Walker
Vice President, Programs & Chief Governance Officer

INTRODUCTION

As the leading organization focused on strengthening and supporting nonprofit board leadership, BoardSource tracks and analyzes trends in nonprofit board leadership practices and composition. Formalized in 1994 when BoardSource launched its first national study of nonprofit boards, a census of board demographics and practices provides important insights into how the nonprofit sector is being governed — who compose our boards, what our boards are doing, and how our boards view their own effectiveness.

Leading with Intent: A National Index of Nonprofit Board Practices is the most recent in this series of studies.* More than 800 nonprofit organizations responded to a survey in the summer of 2014 and shared quantitative and qualitative data about their boards' composition, policies, practices, and performance (See Appendix 1: Methodology, page 50). The responses to that comprehensive survey were aggregated and analyzed by BoardSource's research team, and are explored further in this report.

It is important to note that while *Leading with Intent* provides valuable information about what is happening within boardrooms and insights into trends, strengths, and challenges across the sector, the data are descriptive, rather than instructive. The data show what is most common in terms of board size, structure, composition, and practices; they do not necessarily map to what is best practice. *Leading with Intent* does, however, contextualize these data within a set of recommended practices, as well as include broader commentary about what the data tell us about the state of nonprofit board leadership.

Summary of Key Findings

1. **Boards demonstrate room for improvement.** To evaluate board performance, BoardSource asked chief executives and board chairs to grade their boards. Boards earn a 2.65 or B- average — underwhelming results for the top leaders of their organizations and such high-achieving individuals (see Figure 1). The findings reveal that boards are generally better at technical tasks, such as financial oversight and compliance, than they are at adaptive work related to strategy and community outreach, which points to key opportunities to strengthen board performance across the nonprofit sector (see Board Performance, page 22.)

2. **Board members need to speak out more.** Board members are essential to successful community outreach and advocacy, and they have more work to do in these roles. In response to shifts in government funding and public policy, savvy nonprofits are broadening the definition of outreach and making advocacy an explicit priority. Board members need to raise their collective voices as committed and informed champions for their missions. (See Advocacy & Public Policy, page 28.)

3. **Board diversity is increasing but gaps persist.** Board composition — size and diversity — is changing, slowly. BoardSource research shows that average board size has declined from 19 members in 1994 to 15 members in 2014. As boards shrink, it's even more important to carefully compose the board. The nonprofit sector has seen modest progress on increasing racial/ethnic, gender, and age diversity among chief executives and board members. But, diversity is not a numbers game; it's the people who count, and distinct diversity gaps persist. (See Diversity & Inclusivity, page 10.)

4. **Best-in-class boards pay attention to culture and dynamics.** The real secret to board success — leadership culture — is difficult to measure. A productive leadership culture requires having the right people on the board, achieving clarity around roles and responsibilities, and educating and engaging board members. Strengthening the culture requires *leading with intent*: thoughtful planning, determined dedication, and collective commitment from chief executives, board chairs, and board members. (See Board Dynamics, page 40.)

* These studies were formerly known as the *BoardSource Nonprofit Governance Index*.

5. **Board members need to embrace their roles as fundraisers.** Perennially, fundraising remains the great weakness of nonprofit boards. It again receives the lowest grades — 1.95 from CEOs and 1.87 from board chairs. And, it tops the list of board challenges — 60% of CEOs and 58% of board chairs identify it as one of the most important areas for board improvement. (See Fundraising, page 30.)

6. **Finding financial stability amid constant change requires strategic leadership.** In the wake of the economic downturn, nonprofits continue to find their funding declining and the demand for their services rising. While most organizations are doing better financially than they were a year ago, some — especially smaller organizations — are still feeling the pinch. The political, economic, and demographic forces shaping our society are constantly changing, and so must our organizations if we wish to remain vital and vibrant. (See Financial Oversight and Sustainability, page 33.)

> "Although I have long been blessed with an INVOLVED board, it is really only in the last few years that the board has embraced the rigor and 'professionalism' of a STRATEGIC board, and we have grown accordingly."
>
> *—CEO of a historical society*

Figure 1. Board Report Card: Grades

Responsibility	CEO	Chair
Mission	A–	A–
Financial Oversight	B+	B+
Legal/Ethical Oversight	B+	B+
CEO Support	B	B+
Strategy	B–	B
CEO Evaluation	B–	B
Monitors Performance	B–	B
Community Relations	C+	C+
Board Composition	C	C+
Fundraising	C	C

Frameworks for Understanding the Findings

While nonprofit boards function in a variety of ways, their purview falls into two broad realms:

Internal Functions: They are responsible for internal functions of control and coaching. Control relates to the board's oversight and fiduciary responsibilities, and coaching relates to supporting management and shaping organizational direction.

External Functions: Boards are also responsible for external functions related to outreach and fundraising. The board helps extend the organization's reach through board members' reputation and visibility, networks and connections, and active engagement in various activities, such as advocacy, fundraising, member relations, and collaborations.

Drawing on deeper analysis of BoardSource data from the *Nonprofit Governance Index 2012*, research has shown that, within the above two realms, certain factors relate to higher board performance on the internal functions (e.g., formal orientation), other factors relate to higher board performance in the external functions (e.g., board size), and some factors relate to higher board performance in both realms (e.g., having the right people). (See Figure 2.)

Figure 2. Summary of "Determinants of Board Performance in Nonprofit Organizations"

<table>
<tr><th></th><th>Internal Functions</th><th>External Functions</th></tr>
<tr><td rowspan="3">Inputs</td><td colspan="2">Chair: Expertise (HR, business, fundraising), service on single board</td></tr>
<tr><td colspan="2">Having right people on board</td></tr>
<tr><td></td><td>Chair made personal financial contribution</td></tr>
<tr><td rowspan="2">Structures</td><td>Board manual</td><td>Board size</td></tr>
<tr><td>Formal orientation</td><td>Meeting frequency</td></tr>
<tr><td rowspan="2">Processes</td><td colspan="2">Group dynamics</td></tr>
<tr><td>Clarity of roles and responsibilities</td><td></td></tr>
<tr><td>Organizational Factors</td><td>Size of organization</td><td>Type of organization</td></tr>
</table>

Brown, William; Tenuta, Rosemary; Van Puyvelde, Stijn; and Walker, Vernetta. "Determinants of Board Performance in Nonprofit Organizations, Working Paper." Bush School of Government and Public Service, Texas A&M University.

BoardSource has organized *Leading With Intent* into three broad categories (see Figure 3):

1. **People: Board Composition and Structure.** Having the right people on a board makes higher performance in both the board's internal and external functions more likely, so this report begins with *who* is on the board and how they are composed and organized as a collective body. Board composition and structure comprises board size, terms, diversity, recruitment and elections, committees, and meetings.

2. **Work: Board Responsibilities.** In the spirit of form follows function, a board's structure should be shaped by *what* the board does — the work and responsibilities of the board.

3. **Culture: Leadership Culture and Dynamics.** *How* the board conducts its work — from board education and group dynamics to its relationship with the chief executive — can help or hinder the board's ability to carry out its work. Likewise, board culture and dynamics are also affected by who is on the board and the nature of the work that the board undertakes.

Figure 3: The Who, What, and How of Board Performance

PEOPLE (WHO)
Board Composition & Structure

Composition
- Size & Terms
- Composition/Diversity & Inclusion
- Recruitment & Elections

Structures
- Committees
- Meetings

WORK (WHAT)
Board Responsibility

Strategy & Programs
- Mission, Vision, Programs
- Strategic Planning
- Strategic Issues

Ambassadorship
- Advocacy & Public Policy
- Fundraising

Financial Oversight & Accountability
- Financial Oversight & Sustainability

CULTURE (HOW)
Leadership & Board Dynamics

Board Development
- Role Clarity
- Orientation
- Assessment

Board Dynamics
- Chair & Board Succession Planning
- Group Dynamics & Board Member Engagement

CEO Relations
- Constructive Partnership
- Evaluation & Compensation
- CEO Succession Planning

BoardSource presents these three categories as a way for nonprofit leaders to deconstruct their own board's performance. We recognize, however, that, in practice, these categories are deeply intertwined and difficult to disentangle. But, the first step toward improving board performance is to understand the relationships between these elements and to determine the best place to begin the conversation. We hope that this report provides a meaningful comparison of current board practices, an inspiring vision of best practices, and productive explanations about what matters and why, so that your board and future boards can build on their strengths, achieve higher levels of performance, and make our world a better place.

BOARDSOURCE RECOMMENDED GOVERNANCE PRACTICES

Throughout this report, we reference BoardSource recommended governance practices. These practices — categorized as Essential Practices, Leading Practices, and Compliance Practices — reflect BoardSource's decades of experience working with tens of thousands of board leaders and conducting extensive research on board practices. They are practices that most boards should adopt. You can access them at leadingwithintent.org.

PEOPLE: BOARD COMPOSITION & STRUCTURE

Composition
- Size & Terms
- Composition/Diversity & Inclusion
- Recruitment & Elections

Structures
- Committees
- Meetings

Composition

Clearly, you can't have an award-winning performance without having a strong cast. An organization's ability to find the right people to serve on its board is shaped by the size of the board, the tenure of its members, and the board's recruitment and election processes.

BOARD SIZE & TERMS OF SERVICE: HOW BIG IS THE BOARD TABLE?

At BoardSource, we are constantly asked, "What size should our board be?" A definitive answer is elusive, as decisions about board size should take into account other facets of board composition and structure. When rightsizing their boards, nonprofit leaders must balance values of community engagement with board member engagement, democratic principles with decision-making efficiency, and expansive networks with competing interests. In looking at the 2014 Survey results, we find the following:

Over the years, board size has slowly but modestly declined to a current average of 15 members.

- Most boards allow board members to serve up to 6 consecutive years, which blends board continuity with rotation and ensures a combination of institutional memory and fresh perspectives.
- Board leadership is not a lifetime commitment, with board chairs and other officers being subject to term limits.

Figure 4. Board & Officer Terms *(Q2.4, 2.5 CEO)*

	Board Members	Chair	Other Officers
Term Limits	71%	71%	61%
Most Common Term Length			
1 Year	3%	38%	41%
2 Years	16%	31%	24%
3 Years	63%	18%	18%
4+ Years	8%	4%	4%
Most Common Number of Terms			
1 Term	2%	19%	11%
2 Consecutive Terms	40%	35%	31%
3 Consecutive Terms	22%	12%	13%
4+ Consecutive Terms	7%	5%	7%

WHAT WE FOUND	WHY IT MATTERS
Boards have slowly shrunk in size. 80% of boards have fewer than 20 members. The average board size has declined from 19 members in 1994 to 15.3 members. Local, statewide, and regional within state organizations have slightly larger boards, with an average of 15.1 to 16.0 members; multistate, national, and international boards have slightly smaller boards, with an average of 14.7 to 13.3 members.	***As boards shrink, it's especially important to carefully compose the board.*** With a smaller board, every individual counts — and needs to be counted on. Board size should be driven by board function — the board's responsibilities — which often changes as the organization itself evolves. Other factors also influence board composition and, thus, the number of board members, such as legal mandates, diversity goals, committee structure, and group dynamics. Regardless of size, all board members should be engaged, as all board members are equally liable for the organization. (See BoardSource Leading Practice 12.)
On average, board members can serve a maximum of 6 consecutive years. 71% of organizations limit the number of consecutive terms a board member may serve. The most common board member term structure is 2 consecutive 3-year terms. 63% of organizations have 3-year terms, and 62% allow board members to serve 2 or 3 consecutive terms. (See Figure 4.)	***Term limits are an essential mechanism for revitalizing boards.*** Regular turnover encourages the board to pay attention to its composition, helps to avoid stagnation and expand the organization's network, and provides a respectful and efficient method for removing unproductive members. Term limits need not preclude valuable board members from staying connected to the organization, e.g., through committee work, special events, and future board service. (See BoardSource Essential Practice 2.)
Board chairs are more likely than other officers to have term limits. 71% of boards also limit the number of consecutive terms the chair and other officers may serve. The most common chair structure is 2 consecutive 1-year terms. 69% of chairs serve 1- or 2-year terms, and 54% may serve 1 or 2 consecutive terms. The most common structure for vice chairs, secretaries, and treasurers is an unlimited number of 1-year terms. 65% of officers serve 1- or 2-year terms, and 42% may serve 1 to 2 consecutive terms (See Figure 4.)	***Board chairs play a critical role in board leadership and development.*** They devote considerable time to the organization — on average 14.5 hours per month — and exert considerable influence over the board. Term limits help prevent board chairs from burning out by shortening the duration of their commitment. Term limits also enable the board to adjust its leadership to suit changing organizational needs and help protect the board and chief executive from an ineffective chair. (See Board Dynamics, page 40.) By comparison, other officer positions offer a measure of continuity and depth of institutional knowledge because of the likelihood of longer tenure. Other officers, especially the treasurer, often bring specialized knowledge (e.g., financial expertise) that may be difficult to replace on a regular basis. That said, recruiting board members with leadership capabilities and grooming them for officer positions remains important for board revitalization.

DIVERSITY & INCLUSIVITY: WHO'S AT THE BOARD TABLE?

To succeed in an increasingly diverse world, nonprofit organizations need to remain relevant and connected to their communities. Their leaders — board members and chief executives — need to represent diverse points of views. While the nonprofit sector has seen modest progress in increasing racial/ethnic, gender, and age diversity among chief executives and board members, diversity is more than a numbers game. It also requires inclusive policies, practices, and behaviors that nurture and value different perspectives and experiences. To value diversity is to respect and appreciate race, ethnicity, and nationality; gender, gender identity, and sexual orientation; age; physical, mental, and developmental abilities; religion; and socioeconomic status. (See BoardSource Leading Practice 3.)

> "Some of the members that we are cultivating for board recruitment are African-American, but that is because of their level of involvement [with the organization], not for ethnicity. We have a growing number of African-American, Hispanic, Asian, and LGBT members...as a result of our school and family programs."
>
> —*CEO of a museum*

WHAT WE FOUND	WHY IT MATTERS
Board portraits reveal slow progress in racial/ethnic and age diversity. People of color remain underrepresented in nonprofit leadership. According to the 2010 U.S. census, 64% of Americans are White. Of our current survey respondents, 89% of CEOs are White and 80% of board members are White (see Figure 5). Small, local organizations have slightly more diverse boards in terms of gender and age. The demographics of board officers — chairs, vice chairs, secretaries, and treasurers — generally parallel overall board diversity, with the notable exception of the chair: Women account for 48% of board members and 46% of chairs. The larger the organization, the more likely the chair is to be White, over 40 years of age, and male. Only 35% of CEOs give their boards an A or B on increasing board diversity. Our findings show a lack of concerted planning and follow-through. Most CEOs report that their boards have discussed the importance of expanding board diversity (74%) and actively recruited members from diverse backgrounds (80%). Yet only 56% report that the board has reviewed and revised its recruiting efforts, and only 19% indicate that the board has developed an action plan to increase diversity. (See Figure 7, page 12.)	***A diverse board sends a message and sets a powerful example about the organization's values.*** Having board and staff leaders who reflect society and, more specifically, the organization's constituents is important in understanding constituent needs, cultivating community connections, and establishing credibility. CEOs are least satisfied with their board's racial/ethnic diversity but see it as most important to their organization's mission. On one hand, it is reassuring that CEOs and chairs are least satisfied with the board's racial/ethnic composition (as compared to gender and age), since it is the area where the board has the least amount of diversity. On the other hand, the lack of progress remains disappointing because they view race/ethnicity as the most important aspect of diversity for advancing the mission. (See Figure 6.)

Figure 5. Nonprofit Leadership Demographics *(Q2.3, 3.2. 3.3, 3.4, 1.14, 1.15, 1.16 CEO)*

		Chair	Board	CEO	Notes
Race/ Ethnicity	**White**	90%	80%	89%	On boards, people of color increased from 16% in 2010 to 20% in 2014. But 25% of boards remain all White.
	People of Color	10%	20%	11%	
Gender	**Male**	47%	52%	35%	More than 65% of small and 75% of medium organizations have female CEOs, but only 37% of large organizations do.
	Female	43%	48%	65%	
Age	**<40**	9%	16%	6%	Board members under 40 years of age increased from 14% in 2010 to 17% in 2014.
	40-64	64%	68%	80%	
	65+	27%	16%	14%	

Figure 6. Importance of and Satisfaction with Diversity *(Q3.1, 3.2 Chair; Q5.1, 5.2 CEO)*

How satisfied are you with your board's current level of diversity?

	Chair			***CEO***		
	Dissatisfied or Very Dissatisfied	**Satisfied**	**Very Satisfied**	**Dissatisfied or Very Dissatisfied**	**Satisfied**	**Very Satisfied**
Race/Ethnicity	45%	41%	14%	69%	26%	5%
Socio-economic	22%	63%	15%	29%	66%	5%
Age	17%	57%	26%	33%	56%	11%
Gender	15%	51%	34%	29%	51%	20%
Persons with a Disability	45%	47%	8%	42%	52%	6%
LGBTQ	31%	53%	15%	34%	58%	7%

To what extent would expanding diversity increase your ability to advance your mission?

	Chair			***CEO***		
	Not Important	**Some Extent**	**Great Extent**	**Not Important**	**Some Extent**	**Great Extent**
Race/Ethnicity	29%	45%	26%	24%	47%	28%
Socio-economic	42%	39%	19%	40%	40%	21%
Age	42%	39%	18%	36%	47%	16%
Gender	54%	39%	8%	53%	36%	11%
Persons with a Disability	58%	34%	8%	66%	26%	8%
LGBTQ	67%	27%	6%	72%	23%	5%

WHAT WE FOUND	WHY IT MATTERS
More than one-half of nonprofit boards have practices and policies that support *functional* inclusion, but less than one-half describe behaviors that reflect *social* inclusion. *Functional* inclusion is characterized as policies, structures, practices, and processes designed to increase the inclusion of individuals from diverse or traditionally marginalized communities. In 2012, 38% of participating organizations had a written diversity statement. In 2014, that number increased to 50% and more organizations incorporated diversity into formal policies. (See Figure 7.) *Social* inclusion occurs when individuals from diverse backgrounds participate fully in the interpersonal dynamics and cultural fabric of the board. In terms of board work, more than one-third of CEOs report that diverse members participate to a great extent in contributing to, influencing, and making board decisions. In terms of board member relationships, less than one-third of CEOs report that their board members cultivate personal friendships with diverse members to a great extent. (See Figure 8.)	***Meaningful diversity requires having different voices and faces around the board table and then creating a culture of inclusion.*** Research suggests that transformative change requires *functional* and *social* inclusion. When all members are free from marginalization and alienation, the full board can be authentically engaged.* More work must be done to turn well-intentioned policies into more inclusive boards. To support greater engagement, boards should commit to inclusion by establishing written diversity policies, developing intentional plans to recruit diverse board members, providing equal access to board leadership opportunities, and paying careful attention to social inclusion practices. * Bradshaw, Patricia and Fredette, Christopher. "The Inclusive Nonprofit Boardroom: Leveraging the Transformative Potential of Diversity." *Nonprofit Quarterly,* December 2012.

"Several prominent board members continue to hold onto long-held beliefs and expectations that are no longer relevant in today's society."

—*CEO of an association*

Figure 7: Functional Inclusion Practices *(Q5.3, 7.1 CEO)*

Policies	2012	2014
Incorporated diversity into the organization's core values	63%	69%
Modified organizational policies and procedures to be more inclusive	59%	66%
Have a written diversity statement	38%	50%
Recruitment		
Actively recruited board members from diverse backgrounds	75%	80%
Discussed the values and benefits of expanding diversity of the board	74%	74%
Evaluated and modified recruitment efforts specifically to reach members with more diverse backgrounds	58%	56%
Training		
Conducted diversity training for staff	44%	50%
Conducted diversity training for board members	13%	17%

Figure 8: Social Inclusion Practices *(Q5.4 CEO)*

Please indicate your agreement with following statements regarding your board members:	Not at All	Small or Some Extent	Great Extent
Involvement in Board Work			
Diverse members make contributions to the board's critical tasks.	8%	55%	38%
Board members value the contributions of diverse members to the board's tasks.	2%	52%	46%
Diverse members are influential in the board's routine activities.	9%	54%	37%
Diverse members participate in developing the board's most important policies.	10%	56%	35%
Relationships Among Board Members			
Members take a personal interest in board members from diverse backgrounds.	8%	66%	27%
Board members initiate social interactions with members from diverse backgrounds.	4%	76%	20%
Diverse members become friends with the other members of the board.	6%	61%	34%

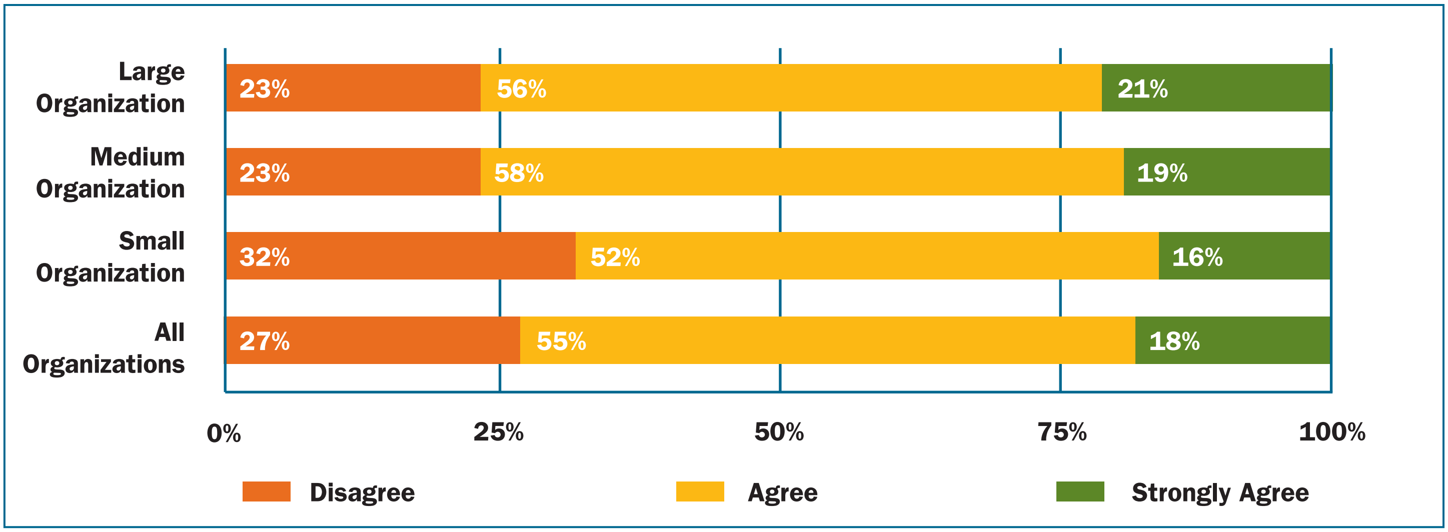
RECRUITMENT & ELECTIONS: HOW DO BOARD MEMBERS GET TO THE BOARD TABLE?

Without the right members, it is difficult for any board to provide effective leadership to the organization it governs. Despite the importance of board composition, chief executives (28%) and board chairs (32%) rank changing or strengthening recruitment practices third among areas of board performance most in need of improvement (Q8.5). While not simple, the solution to this problem requires new and renewed efforts at this most mission-critical task.

- Most boards have control over who serves on the board, often through directly electing board members but also through committees, policies, and procedures related to elections.
- Finding board members is becoming increasingly difficult, according to chief executives.
- Governance and/or nominating committees are common but not pervasive among nonprofit organizations.

WHAT WE FOUND	WHY IT MATTERS
Only 73% of chief executives agree that they have the right board members. More notably, less than 1 in 5 CEOs *strongly* agree that they have the right board members to effectively oversee and govern their organization. This is especially true for smaller organizations. (See Figure 9.)	***Having the right board members is a major determinant of effective board performance.*** Research using BoardSource's 2012 index data* reveals that having the right mix of board member expertise and experience is important to the board's ability to provide oversight of the organization, to support the CEO, and to connect with the community. (See Figure 2, page 6.) * Brown, William; Tenuta, Rosemary; Van Puyvelde, Stijn; and Walker, Vernetta. "Determinants of Board Performance in Nonprofit Organizations, Working Paper". Bush School of Government and Public Service, Texas A&M University.
More than two-thirds of boards are self-perpetuating. 70% of boards elect new board members; 10% of boards are elected by the organization's members, chapters, or a house of delegates; and 19% have a combination of board-elected and member-elected board members.	***Boards need to take responsibility for the cultivation and recruitment process to ensure it yields the caliber of board members needed.*** Board members have no one to blame but themselves if the board does not have the right board members. Either the *process* for identifying, cultivating, nominating, and electing board members is flawed, or implementation falls short. While clearly not easy, strategic board recruitment needs to become a board priority.

Figure 9. The Right Board Members for Oversight and Governance *(Q9.1d CEO)*

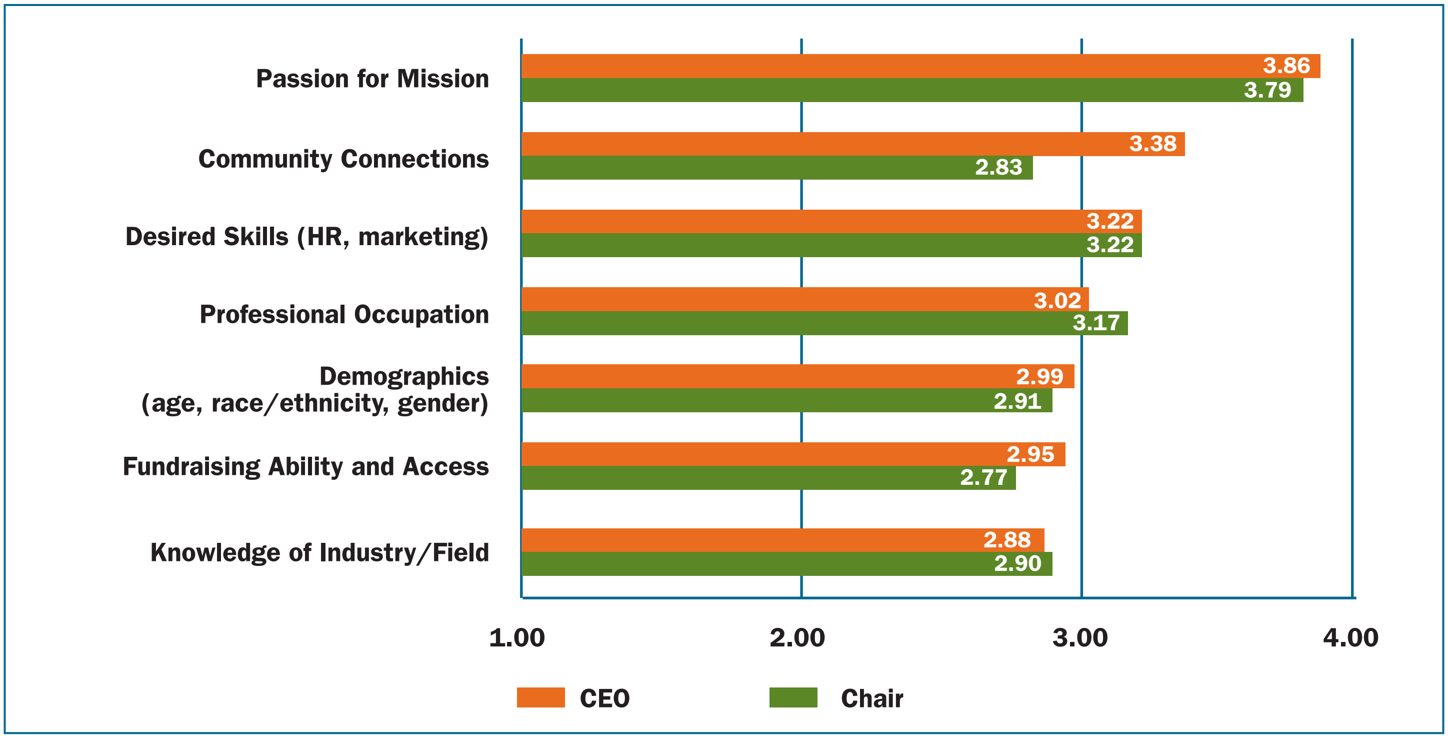


Large = $10 million or more operating budget, Medium = $1 million - $9.9 million budget, Small = Less than $1 million budget

> [Our biggest challenge is the] "Retention of 'first generation' board members, and recruitment of 'second generation' board members to ensure stability and continuity over time."
> —*Board chair of a homeless shelter*

WHAT WE FOUND	WHY IT MATTERS
Recruiting board members is getting harder. On average, nonprofit boards are recruiting for 3 positions. 58% of chief executives say it is difficult to find people to serve on the board, compared to 44% in 2012. A multitude of factors contribute to this perennial challenge, ranging from longer work days and busier lives to increased scrutiny of nonprofits and greater potential liability for boards. Anecdotally, BoardSource has observed that people are serving on fewer boards and that the next generation of leaders is interested in more episodic volunteer experiences and more direct community service.	***Board recruitment should be a continuous and deliberate activity of the full board,*** led by a governance committee that is responsible for ensuring that the board has the right people, structure, guidelines, and resources. (See Committees, page 16, and BoardSource Leading Practice 15.) This challenge needs to be examined in light of age diversity, meeting habits, and oversight practices. It also requires an understanding of the obstacles to recruiting board members and the challenges of board service, two areas in need of additional research.
Board chairs and CEOs generally agree on the most important criteria for board members. Passion for mission is — far and away — the most important criteria, followed by community connections, desired skills, and professional occupation. (See Figure 10.)	***The ideal board composition should be based on the organization's direction and priorities.*** A matrix of desired board composition facilitates strategic recruitment efforts. It provides a tool for analyzing the qualities, characteristics, and perspectives already present on the board in light of organizational strategies and future needs, which in turn allows the board to identify gaps and direct recruitment efforts to fill those gaps. (See BoardSource Essential Practice 3.)

Figure 10. Importance of Criteria for Recruiting Board Members *(Q4.3 CEO; Q2.3 Chair)*



1 = Not a priority, 2 = Low priority, 3 = Medium priority, 4 = High priority

Structures

Board performance also depends on how the stage is set. For many organizations, committee structures and meeting schedules are rooted in traditions that grew out of past necessity but may be losing their relevance in today's context of more professional staff, busier board members, and increasingly complex challenges.

COMMITTEES: ARE THEY WORKING?

Committees can help or hinder a board. When working well, they support the work of the board and provide board members with a way to dive more deeply into the strategic issues affecting the organization. On the other hand, when there is a lack of board member participation, committees become ineffective and frustrating for staff to support. For some organizations, committees serve as a way to leverage functional support in the absence of staff expertise.

- Committee structures have been streamlined to preserve core standing committees focused on the work of the board and to disband operationally oriented committees that mirror staff functions.
- The most common committees include executive, finance and/or audit, governance and/or nominating, and development.

WHAT WE FOUND	WHY IT MATTERS
Over the past 30 years, board committee structures have been streamlined. In 1994, boards had an average of 6.6 committees. Now they have an average of 4.8 committees. Larger organizations and associations have more committees (5.6 and 6.0 respectively). The most common committees are finance, executive, governance, and development (see Figure 11). Since 2010, there has been a slight decline in the frequency of committees that relate to operational activities, such as human resources and facilities. Overall, 78% of boards have written job descriptions for committees, but larger organizations are more likely to have formal committee charters (89% for large organizations, compared to 69% for small organizations).	***The standing committee structure should be lean and complemented by the use of task forces.*** Committees can play a vital role in engaging subject matter experts and community members in the work of the organization, but they also can be a source of distraction and/or confusion if they replicate the work of staff or draw the board into operational matters at the expense of strategic thinking. Ongoing board responsibilities — such as oversight and board self-management — warrant a standing committee. Ad hoc task forces are more efficient for addressing timely, strategic issues. (See BoardSource Leading Practice 13.) Regardless, successful committees require clarity of purpose, coordination, and strong communication with staff.

Figure 11. Most Common Committees *(Q2.7 CEO)*

<table>
<tr><th colspan="3">Which of the following committees does your board have?</th></tr>
<tr><td>Executive Committee</td><td colspan="2">78%</td></tr>
<tr><td>Finance/Audit (combined)</td><td>47%</td><td rowspan="3">94%</td></tr>
<tr><td>Finance (standalone)</td><td>33%</td></tr>
<tr><td>Audit (standalone)</td><td>24%</td></tr>
<tr><td>Governance/Nominating (combined)</td><td>37%</td><td rowspan="3">77%</td></tr>
<tr><td>Nominating (standalone)</td><td>24%</td></tr>
<tr><td>Governance (standalone)</td><td>16%</td></tr>
<tr><td>Fundraising/Development</td><td colspan="2">60%</td></tr>
</table>

WHAT WE FOUND	WHY IT MATTERS
While most boards have executive committees, how frequently they meet reveals much about their use. An executive committee is generally defined as a subset of the board with authority to act on behalf of the board within the powers granted to it by the bylaws. 78% of boards have executive committees (see Figure 11), but they are far more common in boards with 16 or more members (92%) than in boards with 15 or fewer members (69%). Of the boards with executive committees, 52% of executive committees meet rarely, less often than the full board, or as needed; 48% meet as often as or more often than the full board. Anecdotally, we have found executive committees that meet more frequently are prone to doing more work — work that might be better delegated to other committees or even handled by management.	***To ensure that the full board remains in control and engaged, executive committees should be used sparingly.*** In the past, one role of the executive committee was to act as a smaller body that could convene quickly when needed. Today, technology allows the board to easily communicate, making that particular need less critical. But, especially for large organizations and large boards, an executive committee can help coordinate the board's priorities and handle urgent, administrative decisions that need attention between regular meetings. If a board has an executive committee, its purpose and limits of authority must be defined in the bylaws to ensure that it cannot make major organizational decisions that rightfully belong to the full board. The full board should confirm decisions made by the executive committee at the following board meeting. (See BoardSource Leading Practice 14.)
Larger organizations are more likely to separate the finance committee from the audit committee. While 80% of organizations have finance or finance and audit committees, only 24% have stand-alone audit committees. But, 51% of large organizations have separate audit committees.	***A separate audit committee provides a greater check-and-balance for financial oversight.*** Ideally, the board should form a separate audit committee, with little or no overlap with the finance committee, to facilitate the added responsibilities in fiscal oversight. (See BoardSource Essential Practice 8.)

"We did a complete restructuring of all meetings, board size, and committees, with all new job descriptions and committee commissions. This has significantly and positively increased board engagement and involvement in the organization."

—CEO of an arts organization

WHAT WE FOUND	WHY IT MATTERS
Nominating and governance committee structures vary, often driven by type of organization and budget size. During the past decade, the concept of a nominating committee has expanded into a governance committee with added responsibility for board self-management. 37% of boards have combined governance/nominating committees, which is appropriate for self-perpetuating boards and more common among large organizations (43%). Some organizations have 2 distinct committees: 24% have stand-alone nominating committees and 16% have stand-alone governance committees. This separate committee structure is more common in associations, where the nominating committee may comprise general members, not board members, and focus on the elections process.	***A governance committee with responsibility for, among other tasks, elections and recruitment is the best way of ensuring that the board has the right mix of members.*** Every board should have a governance committee or some other formal mechanism for ensuring that recruitment, nominations, and elections produce a strong board. More specifically, the governance committee should be responsible for board recruitment and nominations, ongoing board education and development, board succession planning, board and board member assessment, and board policies and procedures. While the chief executive should be an ex officio member of the governance committee, the board itself must take ownership of managing its own composition and performance. (See BoardSource Leading Practice 15.)
Charities, as well as small and local organizations, are more likely to have development committees. 60% of organizations have development committees, which may be called fundraising, resource development, or institutional advancement committees. Not surprisingly, it is far more common in charities (66%) than in associations (22%) and foundations (38%). It is also slightly more common in small organizations (64%) and local organizations (66%).	***Development committees, more so than other board committees, often have a combination of strategic and implementation responsibilities.*** Traditionally tasked with involving the entire board in fundraising (see Fundraising, page 30), development committees often also shape development strategy, monitor against the development plan, and analyze the fundraising capacity of the board and staff. They work very closely with staff and often with other work groups, e.g., special events committees, capital campaign task forces, and business advisory councils. Committee members include board and non-board members, who are invited to serve as a way to deepen involvement from community leaders and major donors.

MEETINGS: HOW DOES THE BOARD COME TOGETHER AS A COLLECTIVE GOVERNING BODY?

Meetings bring board members together as a collective body and are the most tangible moments of board service. The quality of time spent together is far more important than the quantity of time spent in meetings. The current data echo previous findings that suggest board meetings need to be redesigned to maximize the value of the board:

- Boards spend less than 25 hours a year in meetings (68% of boards meet 9 times or less per year, and 78% meet for 2.5 hours or less), and board member attendance is declining.
- Board meeting time can be spent more productively with greater use of consent agendas and dashboards. These tools enable the board to streamline meetings and better deploy technology to expedite information sharing and board member participation. Ideally, the outcome of more streamlined meetings is not just shorter meetings but meetings that allow more time for meaningful discussion on strategic issues.

WHAT WE FOUND	WHY IT MATTERS
Half of nonprofit boards meet 6 or fewer times per year. As a point of reference, 52% of boards meet every other month or less, 16% meet between 7 and 9 times per year, and 33% meet almost monthly. And, 78% of boards meet for 2.5 hours or less. These findings must be taken in the context of other factors. Not surprisingly, geographic scope corresponds to meeting frequency and length. Multistate and national boards meet less often for longer periods of time, while local and state boards meet more often for shorter periods of time. (See Figure 12.)	***Boards must meet often enough to ensure they are fulfilling their fiduciary responsibilities without compromising their efficiency.*** While state laws usually require boards to meet at least once a year, one meeting is insufficient for boards to address all the issues needing their attention. Board structures and practices (e.g., board size, reliance on committee work, length of meetings), as well as the lifecycle position of the organization and geographical constraints, can affect the optimal number and frequency of board meetings. (See BoardSource Compliance Practice 1.)
Board meeting attendance is waning. While 85% of boards have 75% attendance, the number of boards with 90% to 100% attendance declined from 41% in 2012 to 37% in 2014. The data also show that smaller boards have better attendance: 75% – 100% Attendance: • Less than 10 members: 95% • 10 – 19 members: 87% • 20+ members: 71% Virtual meetings are not common for local organizations; only 8% use this option, whereas 66% of international and 41% of national or multistate organizations held at least one virtual meeting in the past year. Attendance via teleconference is also more common for international (78%) and national organizations (68%) than local (41%) or regional/multistate organizations (59%). (See Figure 13.)	***Board service is a commitment, and every board member must make meeting attendance a priority.*** Meetings are when boards exercise their governance responsibilities. Every board member has a legal duty of care, and every board should have — and consistently enforce — a meeting attendance policy. (See BoardSource Essential Standard 1.) Low meeting attendance creates greater risk for the organization as it increases the likelihood of major decisions being made by a minority of board members. For example, 7 members of a 15-person board would constitute a simple majority (assuming 12 board members — 80% — are present) for approving the annual budget, electing officers, or setting executive compensation.

Figure 12. Meeting Frequency and Length *(Q6.1, 6.4 CEO)*

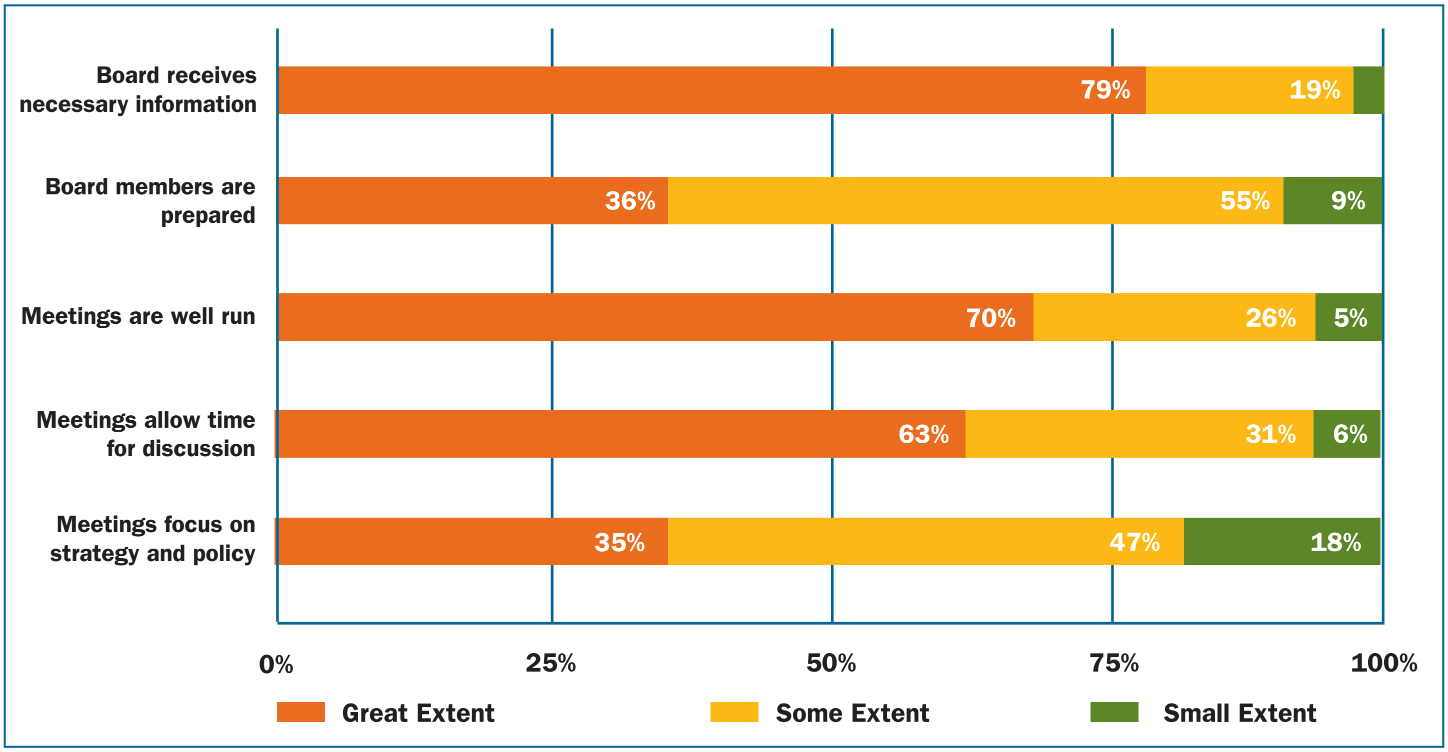
Geographic Service Area	*Number of Meetings Per Year*				*Length of Meetings in Hours*				
	≤ 4	5-6	7-9	10+	≤ 2	2-2.5	3-4	5-7	8+
Local	9%	26%	20%	44%	48%	46%	6%	1%	0%
State	23%	30%	15%	32%	32%	47%	16%	3%	2%
National	47%	28%	12%	12%	19%	31%	27%	9%	13%
International	66%	19%	8%	7%	12%	25%	22%	7%	34%
All	24%	28%	16%	33%	35%	43%	14%	3%	5%

Figure 13. Board Meeting Practices *(Q6.2, 6.3, 6.6 CEO)*

Did you use any of these practices within the past year?	2014	2010
Attendance via teleconference	54%	43%
Virtual board meetings (one or more)	29%	
Board portal or other password-protected Web site	30%	26%
Consent agenda	57%	55%
Dashboard report	44%	37%

WHAT WE FOUND	WHY IT MATTERS
Meeting time can be spent more productively. Nearly 80% of chief executives report that they provide their board members with necessary information for meetings, but less than 40% believe board members are well prepared for meetings. 69% of chief executives report that meetings are well run, but only 35% report that meetings focus, to a great extent, on strategy and policy rather than operational issues. Furthermore, 36% of chief executives report that half of a typical board meeting is spent on committee or staff reports.	***Without concerted efforts by board and management, meetings can take a lot of time and yield limited results.*** Efficient and effective board meetings require careful planning, especially between the chief executive and board chair. Likewise, to make informed decisions, board members must do their homework. Board meetings need to be well orchestrated. The majority of time should be spent on future-oriented strategic issues and critical oversight functions. Board members lose interest if they are not challenged and able to utilize their expertise and experience. Listening to repetitive reports is not a constructive way of using limited meeting time. (See Board Dynamics, page 40.)
Nonprofit boards are increasingly using tools to improve meeting productivity. Compared to 2010, more boards use such practices as consent agendas (57%), dashboard reports (44%), and board portals (30%) to enhance meeting productivity. (See Figure 13.)	***By expediting information sharing, meeting tools create more time for deeper discussion of issues that matter.*** A consent agenda, which combines routine matters into a single item to be voted on without discussion, allows more time for examining strategic issues. (See BoardSource Leading Practice 1.) A dashboard, which graphically summarizes key indicators, draws attention to areas that need deeper exploration. Technology — board portals, electronic meeting packets, and virtual meeting platforms — enables both board and staff to save time and energy.
Executive sessions are a common but cautiously used practice. Executive sessions allow boards to meet privately to address issues involving privileged and confidential matters, including compensation, business transactions, and litigation. In 2014, 61% of boards met in executive session as-needed (33% with, and 28% without, the chief executive), and 18% of boards met in executive session at every meeting (11% with, and 7% without, the chief executive). Only 21% did not meet in executive session. It is worth noting that 28% of organizations are subject to sunshine/open meeting laws, which may limit their use of executive sessions.	**Organizations benefit from regularly scheduled executive sessions.** Executive sessions provide a venue for handling issues that are best discussed in private, for fostering robust discourse, and for strengthening trust and communication. Distinguished by their purpose and participants, executive sessions help maintain confidentiality, create a mechanism for board independence, and enhance relationships among board members and with the chief executive. Those organizations that must adhere to opening meeting laws should verify the requirements for executive sessions in their state statutes. (See BoardSource Leading Practice 2.)

Figure 14. Indicators of Board Meeting Quality *(Q6.8 CEO)*



> "Our biggest challenge is rethinking how often our board meets. Attendance is not great, and we need to think of different ways for the board to accomplish what it needs to… beyond the traditional monthly board meeting."
>
> *—CEO of a social service agency*

WORK: BOARD RESPONSIBILITIES

Strategy & Programs
- Mission, Vision, Programs
- Strategic Planning
- Strategic Issues

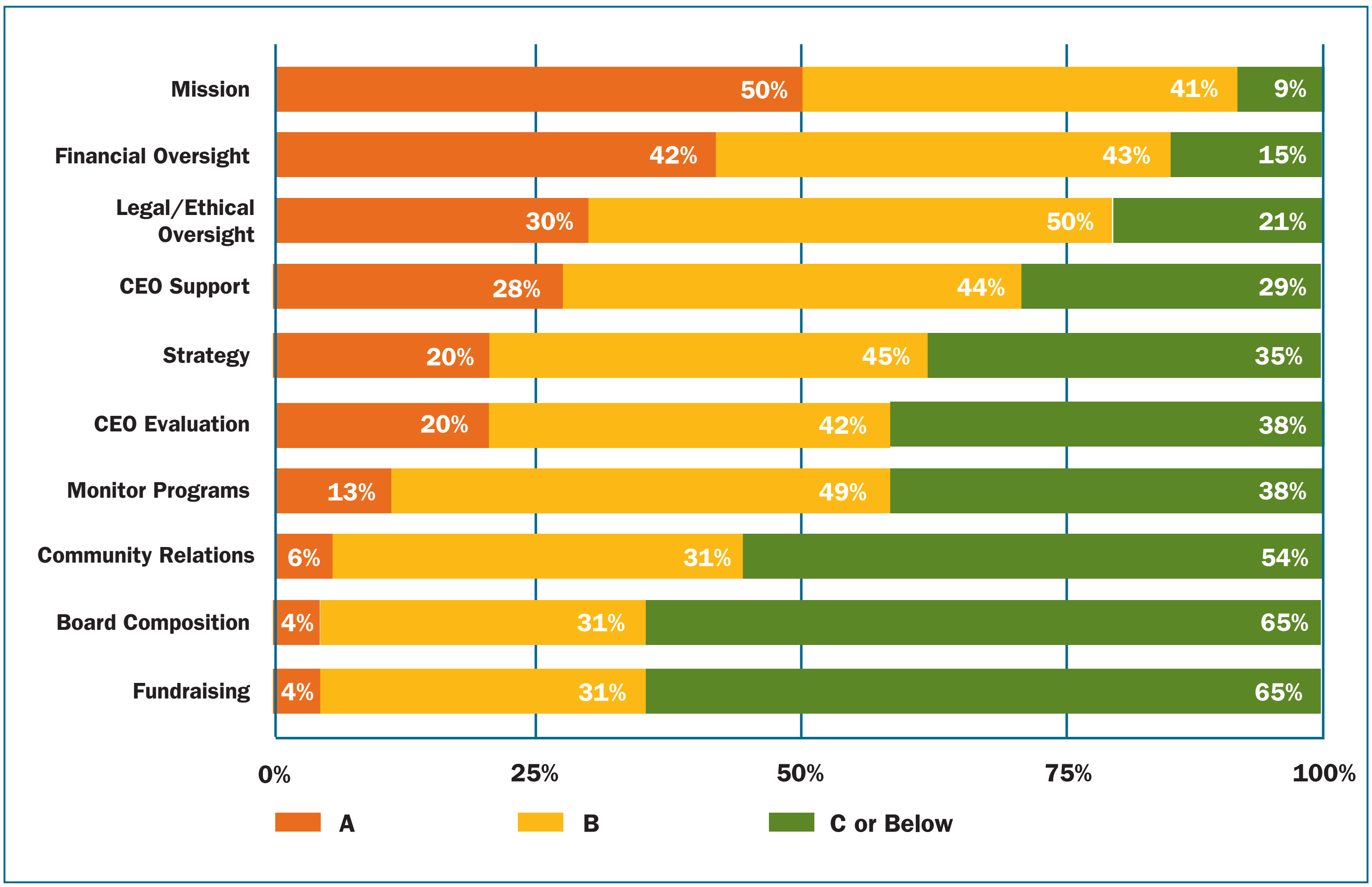
Ambassadorship
- Advocacy & Public Policy
- Fundraising

Financial Oversight & Accountability
- Financial Oversight & Sustainability
- Compliance Policies

Board Performance

Nonprofit boards have ultimate authority over the organizations they govern and are accountable for their performance. In practice, boards have three fundamental roles: setting direction, ensuring the organization has adequate resources, and providing oversight. We asked CEOs and board chairs to assess their board's performance against what BoardSource considers to be the ten basic responsibilities of nonprofit boards. Overall, the results reveal responsible, but not necessarily exceptional, performance.

Figure 15. Board Report Card: Distribution of Grades *(Q10.2 CEO)*



Current findings mirror those from previous BoardSource surveys:

- Boards are rated highest in their commitment to mission, a precursor for the work of the board and the organization, as well as part of the criteria for joining the board. (See Recruitment & Elections, page 13.)

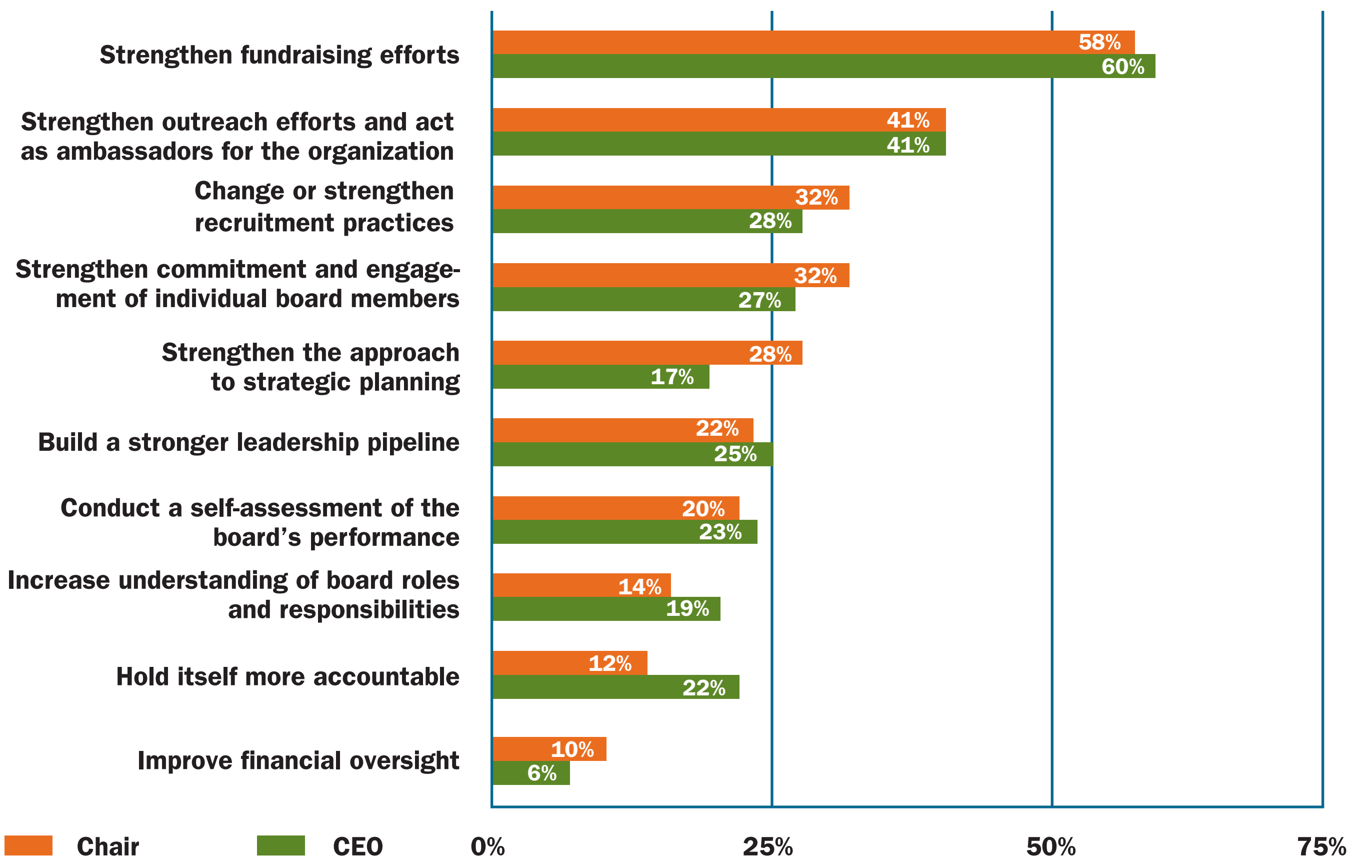
- Boards are generally better at technical work (work that is grounded in a more mechanical field of expertise and follows an established procedure) related to compliance, such as financial and legal/ethical oversight. These responsibilities are absolutely essential for good governance, but there is more to the board's financial responsibilities than approving the budget and reviewing the Form 990. (See Financial Oversight and Accountability, page 33.)

- Boards are weaker at the more adaptive work (work where the problems are more complex, the path is not proscribed, and multiple solutions are viable) related to strategy and community outreach. Defining and carrying out their responsibilities for strategic planning and thinking (see Strategy & Programs, page 25), advocacy (see Advocacy & Public Policy, page 28) and fundraising (see Fundraising, page 30) requires deep board member understanding, engagement, and action.

Board chairs and CEOs generally agree on those areas in need of board improvement, which correspond to the lower-rated responsibilities (see Figure 16).

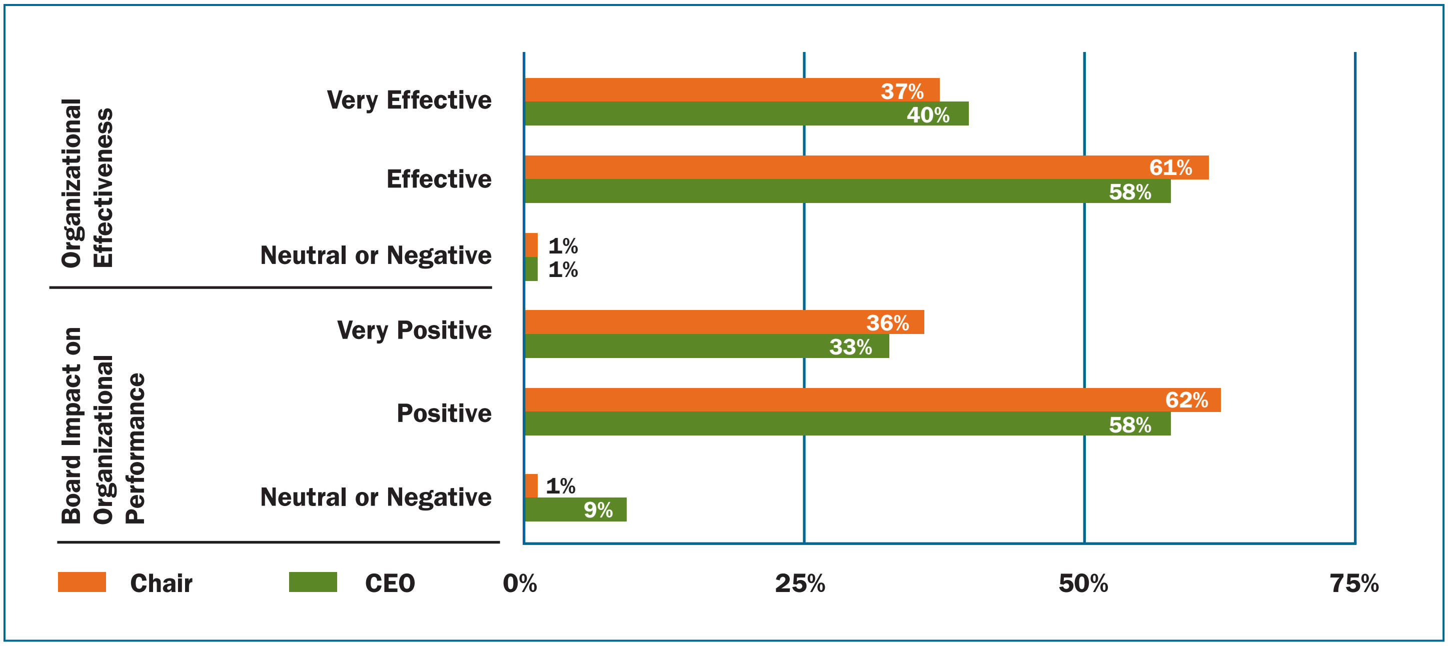
Figure 16. Top 10 Areas for Board Improvement *(Q8.5 CEO; Q5.3 Chair)*

In your opinion, what are the three most important areas the board should address to improve its performance?



Most CEO and board chairs agree that the board has an impact on organizational performance (see Figure 17). The challenge — at each organization and throughout the nonprofit sector — is to raise board performance so that it has not just a "positive" (as 60% of respondents believe) but a "very positive" impact on organizational effectiveness. While more research is needed about this relationship, we must pursue improvement on both fronts to accomplish our missions and justify the time, energy, and expense that is expended by board members and CEOs.

Figure 17: Board Impact on Organizational Performance *(Q10.3, 10.4 CEO; Q5.5, 5.6 Chair)*



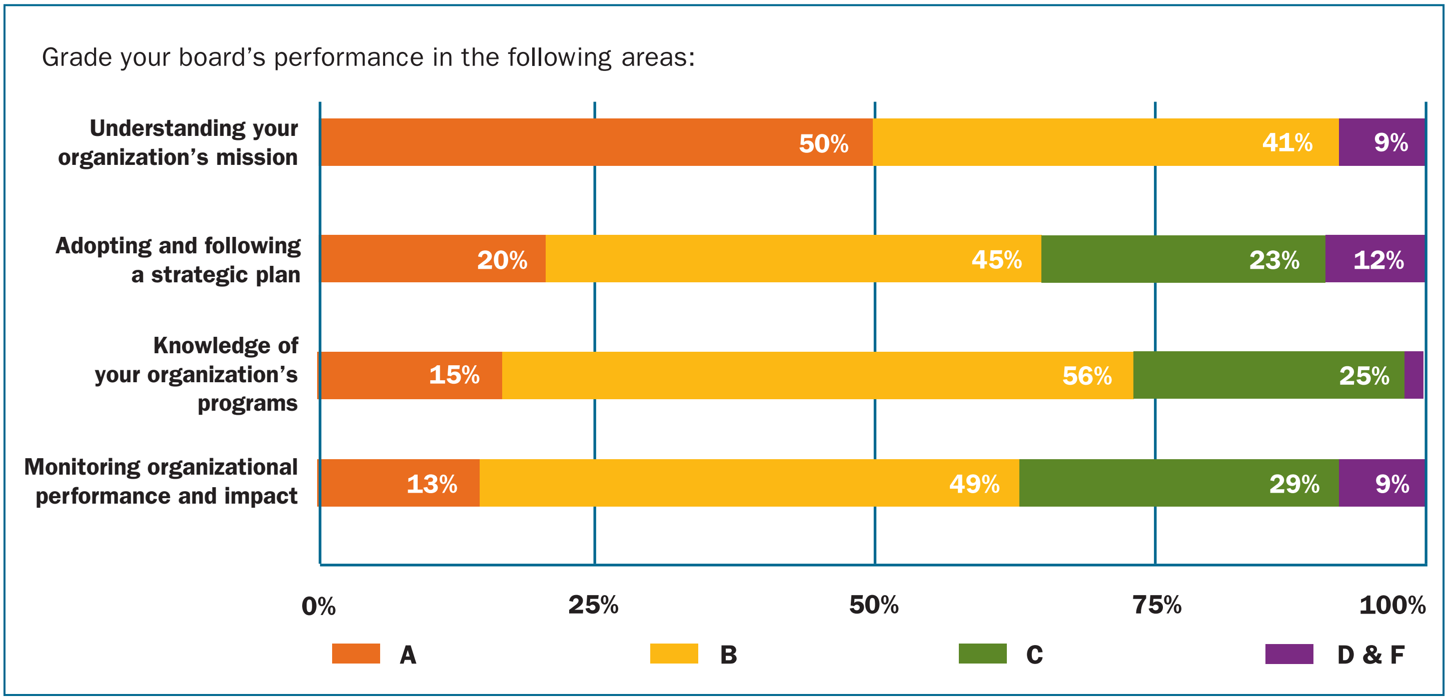
Strategy & Programs: How do boards provide strategic direction and track progress?

Boards and chief executives, together, need to continue learning from the past and looking ahead to position their organizations for success. This requires greater understanding of the organization's context and ability to adapt to challenges. Strategic thinking and planning have taken on new meaning and new practices for nonprofit leaders:

- While boards are generally involved in strategic planning and program oversight, they struggle with doing it well.
- Most nonprofits have the essential elements of a strategic plan in place, but the nature of planning is — or should be — changing, given what lies ahead in terms of society's needs and the economic outlook.

WHAT WE FOUND	WHY IT MATTERS
Boards are doing a mediocre job at monitoring programs and setting direction. Two-thirds of CEOs give their boards an A or B in these areas. Chairs think the board is doing noticeably better on 2 indicators: • Understanding the mission: A — chairs 71%; CEOs 50% • Knowledge of the organization's programs: A — chairs 29%; CEOs 15% Furthermore, while 81% of boards approve the final strategic plan, only 20% of CEOs give their boards an A for effort in adopting and following it (see Figure 18.)	***Management is closer to the programs, operations, and the field than the board,*** which makes it challenging for boards to provide strategic guidance and oversight. In practice, the CEO is often the lead partner in these areas, and it is incumbent upon management to provide the board with regular, appropriate information and to engage the board in high-level strategic issues and decisions.

Figure 18. Board Report Card: Strategic Planning and Program Oversight *(Q10.2 CEO)*



WHAT WE FOUND	WHY IT MATTERS
More than 80% of nonprofit organizations have essential practices in place related to strategic planning and program oversight. Not surprisingly, organizations with larger budgets and more resources are more likely than small organizations to have vision statements and strategic plans. Given the importance of strategic planning and the perennial challenge it poses to nonprofit organizations, BoardSource probed deeper into planning practices in 2014. While it varies from organization to organization, more than three-quarters of boards are involved in strategic planning through a retreat, setting priorities, and/or approval of the final plan (see Figure 19).	***Working side-by-side with management, the board should play an active and substantive role in developing, approving, and supporting the strategic plan.*** One of the board's primary responsibilities is to set direction for the organization. A strategic plan serves as a road map for this direction and as a tool for assessing progress. For the board to own the results of the strategic plan, board members must be actively and meaningfully involved in the process of developing it. (See BoardSource Essential Practice 4.)
Strategic planning remains at the top of the list of areas needing board improvement, but it has dropped from #2 to #5 (see Figure 16). Kudos to the 20% of organizations that develop or revise their strategic plan annually and the 25% that do so every 2 to 3 years. Another 37% of organizations do so every 3 to 5 years. The 18% of organizations that do not have a formal, written strategic plan or have not revised it within the past 5 years do a disservice to their mission, constituents, and boards.	***The nature of strategic planning is changing to keep pace with the times.*** This may be in response to the turbulence caused by the recession and the challenges of planning in a constantly changing landscape. Anecdotally, BoardSource has seen a shift away from traditional *strategic plans* based on comprehensive data analysis, 3- to 5-year time horizons, and long planning processes toward *strategic frameworks* that articulate organizational priorities, *business plans* that combine programmatic and operational goals with financial forecasts, and more robust *annual plans* with clear metrics and timelines.

"Our biggest challenge is maintaining/growing our revenue base related to membership. We have pretty much captured the market, so we have limited potential for membership growth, but definite potential for membership loss."

—CEO of an association

Figure 19. Practices Related to Strategy *(Q7.1, 7.3 CEO)*

Documents	All	Small	Medium	Large
Written mission statement	99%	99%	99%	100%
Strategic plan	89%	83%	91%	98%
Written vision statement	84%	83%	84%	90%
Board Participation				
Approved the final strategic plan	81%	75%	85%	80%
Actively participated in developing the strategic plan by setting priorities and goals	80%	80%	81%	76%
Held a retreat or dedicated strategic planning session	75%	76%	75%	72%
Used an outside consultant to assist with developing the strategic plan	52%	47%	55%	53%
Appointed a task force to assist with developing the strategic plan	47%	40%	53%	45%

> "We are updating our strategic plan to include a new communications plan, realignment of a historically significant program, and a rebranding process that might include changing the name of our organization to better align with the work that we do and where we do it."
>
> *—CEO of a foundation*

Ambassadorship

Board members are essential to successful community outreach, advocacy, and fundraising, and they have more work to do. 60% of chief executives identify fundraising as the area most in need of board improvement, followed by ambassadorship at 41%. Board members need to raise their collective voices as committed and informed champions for their missions.

ADVOCACY & PUBLIC POLICY: HOW CAN BOARD MEMBERS SPEAK OUT ON BEHALF OF THEIR ORGANIZATIONS AND MISSIONS?

Advocacy is gaining greater prominence as a strategy for success in the nonprofit sector. As revealed in *Forces for Good: The Six Practices of High Impact Nonprofits*, organizations that made a positive difference in their field provided services *and* engaged actively in advocacy (see sidebar "Why Advocacy Matters"). We found that boards need to catch up to this emerging trend:

- Roughly one-third of boards stay abreast of public policy issues that affect their organizations and their field.
- Less than one-third of organizations have developed formal statements or policies to guide their advocacy and public policy work.
- Less than one-half of boards are apprised of or participate in their organization's advocacy activities.

WHAT WE FOUND	WHY IT MATTERS
Board members are not well informed about public policy issues. Overall, only 37% of boards monitor the impact of public policy on their organizations. The boards of larger organizations and associations are more likely to pay attention to the implications of public policy.	***Board members need to be well informed of public policy issues to make informed decisions about strategy and to be better ambassadors on behalf of their organizations.*** To be passionate, articulate, and effective champions for their missions, board members need to be well informed of public policy issues that affect their organizations. To make sound decisions about strategic direction and organizational priorities and to respond to changes that might dramatically improve or threaten their organizations' ability to fulfill their missions, they need to understand the larger environment and ecosystems in which their organizations operate.

Why Advocacy Matters

"High-impact organizations may start out providing great programs, but they eventually realize that they cannot achieve large-scale social change through service delivery alone. So they add policy advocacy to acquire government resources and to change legislation. Other nonprofits start out by doing advocacy and later add grassroots programs to supercharge their strategy.

"Ultimately, all high-impact organizations bridge the divide between service and advocacy. They become good at both. And the more they serve and advocate, the more they achieve impact. A nonprofit's grassroots work helps inform its policy advocacy, making legislation more relevant. And advocacy at the national level can help a nonprofit replicate its model, gain credibility, and acquire funding for expansion."*

—Leslie Crutchfield and Heather McLeod, authors of Forces for Good

* "Creating High-Impact Nonprofits," *Stanford Social Innovation Review*, Fall 2007.

WHAT WE FOUND	WHY IT MATTERS
Less than one-third of nonprofits have established clear policies related to public policy and advocacy. Roughly 1 in 3 organizations have a formal policy about public policy and advocacy. Fewer, 1 in 5, have a formal public policy or advocacy agenda. Not surprisingly, formal public policy agendas are more common in large organizations (27%), national organizations (27%), and associations (32%).	***Advocacy can be an important tool for achieving mission impact.*** Formal organizational policies about public policy and advocacy provide guidance to professional staff and board members about organizational strategy and priorities. While nonprofits operate along a continuum, from doing no advocacy to doing a lot of advocacy, the absence of a formal policy allows for ambiguity as to the role of advocacy as a strategic tool for fulfilling mission. Clarity around strategy is critical to organizational effectiveness.
Less than one-half of nonprofit boards are well informed or active in advocacy activities. Overall, only 45% of boards receive information and resources about appropriate advocacy activities, and only 33% work with the CEO and leadership team to educate policy makers. The boards of larger organizations tend to be more informed and active in advocacy (see Figure 20).	***Board members are the citizen leaders from whom government decision-makers need to hear.*** As citizen leaders, board members can speak to and connect with a broad cross-section of constituents. However, to be effective advocates, board members need to be well informed about public policies issues and their organization's advocacy agenda and positions. They also need to be educated about the board's role in advocacy and provided appropriate support and resources to become powerful champions for their missions and ambassadors for their organizations. (visit standforyourmission.org.)

Figure 20. Statements and Board Activities Related to Public Policy and Advocacy *(Q7.1, 7.4 CEO)*

Does your organization have the following?	All	Small	Medium	Large
Formal, written public policy or advocacy policy – Yes	35%	34%	33%	45%
Formal, written public policy or advocacy policy agenda – Yes	22%	19%	23%	27%

To what extent did the board engage in the following activities?	Extent	All	Small	Medium	Large
Monitored the impact of local, state, and federal policy on the organization's mission delivery and resources.	**Not at all + Small extent**	63%	75%	58%	48%
	Some + Great extent	37%	25%	42%	53%
Received information and resources on effective and appropriate advocacy activities on behalf of the organization.	**Not at all + Small extent**	55%	65%	54%	34%
	Some + Great extent	45%	36%	46%	65%
Board members worked in concert with the chief executive and leadership team to educate policymakers on behalf of the organization, its mission, and/or the nonprofit sector.	**Not at all + Small extent**	66%	74%	65%	50%
	Some + Great extent	33%	26%	35%	51%

Our board lobbies hard to keep our funding from our city and county government. We have been able to maintain our funding and increase programming during a poor economy." —*Board chair of an arts organization*

FUNDRAISING: HOW DO BOARD MEMBERS CONNECT THE ORGANIZATION TO DONORS?

Perennially, fundraising remains the great weakness of nonprofit boards, and it once again receives the lowest grades — 1.95 from CEOs and 1.81 from board chairs.* And, it tops the list of board challenges — 60% of CEOs and 58% of chairs identify it as one of the most important areas for board improvement. The survey results also reveal some promising trends in fundraising:

- Charitable contributions are on the rise.
- Charities are making their fundraising expectations of board "giving and getting" more explicit.
- The average percentage of board giving has increased to 85%.

The greater fundraising challenge, however, is understanding the board's collective responsibility for resource development more broadly and appreciating the distinction between good governance and strong fundraising. The board's primary responsibility is to ensure that the organization has the resources it needs to advance its mission and a sustainable mix of revenue sources. Within that context, boards should shape resource development strategies and monitor progress against development plans. At the individual level, each board member should contribute to fundraising in a meaningful way, though how that plays out may vary from board member to board member.

WHAT WE FOUND	WHY IT MATTERS
Contributions remain a vital source of revenue for most nonprofits. Two-thirds of public charities rely on charitable contributions for 25% or more of their total revenue (see Profile of Respondents, page 47). Philanthropy is on the rise, or at least holding steady, for most charities. In 2014, 53% of charities reported that contributions increased over the previous year, and 28% reported that they stayed the same. However, 19% reported a decrease in contributions, which was more likely in smaller charities (see Financial Oversight & Accountability, page 33).	***Boards need to pay close attention to the portfolio of the income streams.*** In 2013, total giving in the U.S. rose 4%, driven by a 9% increase in bequests, a 6% increase in foundation support, and a 4% increase in individual giving. Corporate giving, on the other hand, declined by 2%.** The overall rise in giving is encouraging, but philanthropy has not returned to pre-recession levels. While demand for nonprofit services continues to rise, government funding continues to decline. During the past 5 years, nearly half of the nonprofit sector reported a decrease in government funding. More than a quarter reported that government funding stayed the same.***
Most nonprofits have made it easy for donors to contribute 24/7 to their organizations. 85% of organizations accept contributions via a Web site or social media.	***Boards, CEOs, and development directors should reframe the question "How do we use technology to improve our fundraising?" to "How can we reach nontraditional audiences?"*** The runaway success of the ALS Association's ice bucket challenge reveals not just the power of social media but also the value of rethinking communications strategies and tactics that go well beyond a "Donate here" button.

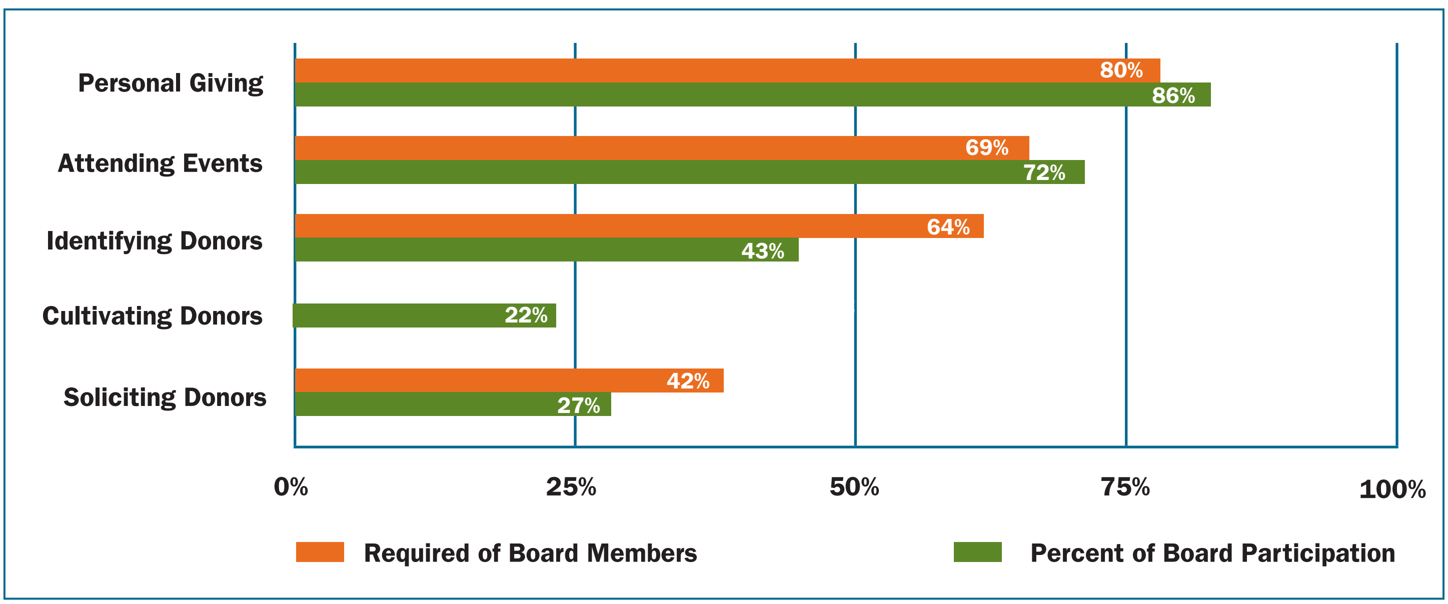
* Of the current respondents, 94% of charities, 64% of foundations, and 45% of associations engage in fundraising. Because it is less common among foundations and associations, this section reports data from charities only.

** "Giving USA 2014: The Annual Report on Philanthropy for the Year 2013." Lilly Family School of Philanthropy, Indiana University, 2014.

*** "2014 State of the Nonprofit Sector Survey: National Results." Nonprofit Finance Fund, March 2014.

WHAT WE FOUND	WHY IT MATTERS
Charities are doing a better job of establishing clear fundraising requirements of board members. 76% of board chairs agree (21% strongly agree and 55% agree) that expectations related to giving and getting are clearly explained during recruitment. In 2014, 80% of charities require board members to make a personal monetary contribution, compared to 70% in 2010. The larger the organization, the more likely it is that giving is an explicit expectation. Board members are also expected to participate in fundraising activities, with greater expectations on cultivation than solicitation (see Figure 21). The smaller the organization, the more likely it is that board members are expected to participate.	***Explicit expectations yield greater board member engagement in fundraising.*** BoardSource's previous surveys surfaced a positive correlation between boards that require personal contributions and a higher percentage of board giving. If board members are not informed of what is expected of them before they join the board, and again during orientation, no one should be surprised if they fall short.
Board members have improved at giving. In 1994, CEOs reported that 60% of their board members gave. They now report 86% board giving. That said, only 60% of nonprofits have 100% board giving, which represents a slight improvement over 2012, when 56% of nonprofits had 100% board giving.	***Fundraising begins in the boardroom.*** The old adage "give, get, or get off" has shifted to "give and get." But, it still begins with personal giving. Each board member should make a meaningful personal contribution. By doing so, board members demonstrate their commitment and trust in the organization, which also allows them to function as more credible fundraisers. Every board should attain 100% board giving to demonstrate its leadership role in the organization (See BoardSource Leading Practice 10.)

Figure 21. Boards and Fundraising: Requirements and Participation *(Q7.8, 7.9 CEO)*

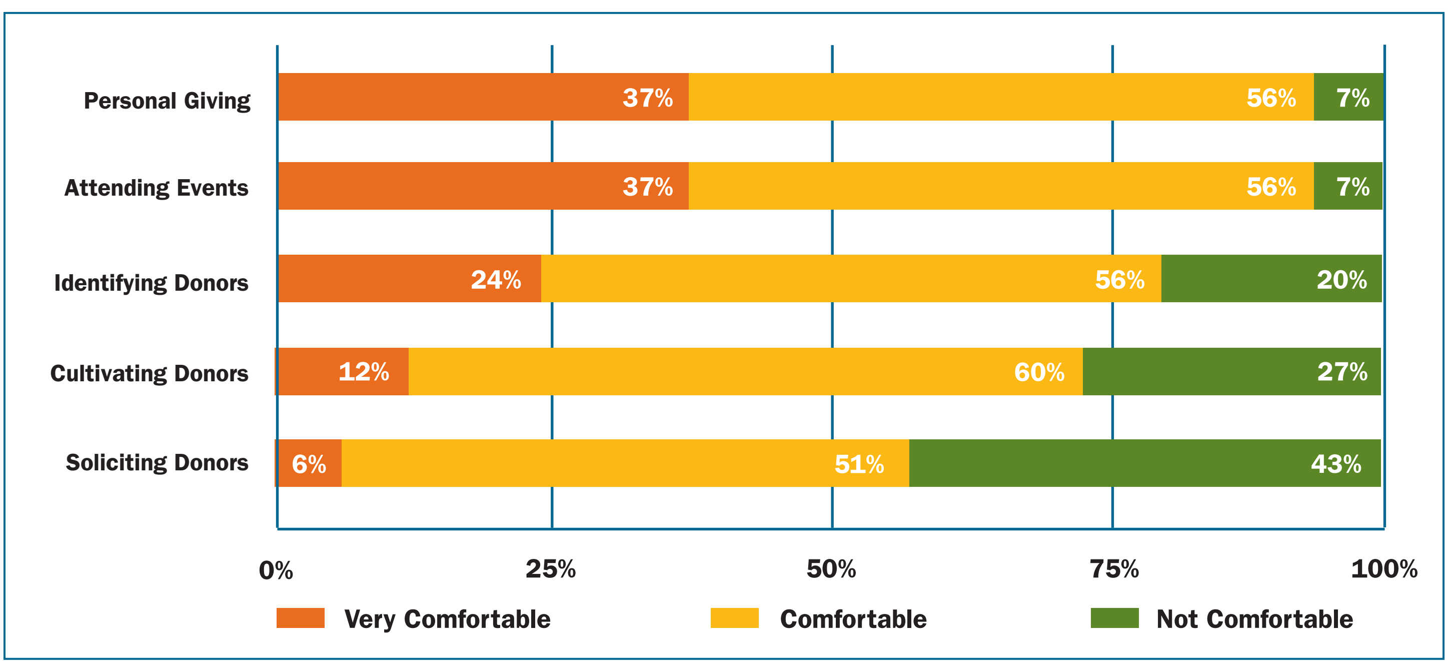


WHAT WE FOUND	WHY IT MATTERS
Board "getting" is still a challenge. Individual board member participation in fundraising lags behind expectations. Only one-half of the chief executives surveyed agree (8% strongly agree and 39% agree) that the board actively participates in fundraising versus relying on the CEO and staff. Not surprisingly, the farther removed they are from donors, the more comfortable board members (including chairs) are with fundraising (see Figure 22).	***One-size-fits-all fundraising expectations of board members are bound to lead to disappointment.*** Just as each board member brings a unique set of skills and experience to the board, each organization should provide its board members with a variety of roles to play in fundraising, with the understanding that all board members must participate in some way. Successful fundraising requires an environment that supports board member involvement. While fundraising is a board responsibility, the staff is responsible for informing, engaging, training, facilitating, and supporting board members in undertaking activities that support the organization's development strategy and plan.

"The board established a fundraising goal and implementation strategy for the first time. The board engaged in fundraising training to realize the goal and has made significant progress toward meeting that goal."

—Board chair of a human services organization

Figure 22. Boards and Fundraising: Perception of Chair about Board Member Comfort *(Q2.7 Chair)*



Financial Oversight & Accountablility

FINANCIAL OVERSIGHT & SUSTAINABILITY: HOW CAN BOARDS USE FINANCIAL OVERSIGHT TO DO BETTER FINANCIAL PLANNING?

Given the current and foreseeable economic environment, nonprofit boards must be vigilant, thoughtful, and strategic in carrying out their financial responsibilities. These responsibilities extend beyond fiscal oversight to more robust business planning.

- Many boards have solid policies and practices in place to provide financial oversight.
- Self-directed public disclosure of core financial documents is still not as prevalent as it could and should be.
- Nonprofit financial sustainability needs to be explored in light of diverse sources of income.

WHAT WE FOUND	WHY IT MATTERS
Boards receive high marks (B+) in both financial oversight and legal and ethical oversight from chief executives and board members. 86% of chief executives and 93% of chairs agree that the board has sufficient financial expertise to monitor the organization's fiscal health. However, anecdotally and through board self-assessments, BoardSource has learned that while many boards have good policies and procedures in place, board members do not always receive financial reports that are clear or distributed in advance.	***Fiscal oversight, while absolutely essential, often overshadows its important counterpart, financial planning.*** As they slowly recover from the recession, nonprofit organizations need business acumen and financial planning expertise to prepare for a future that remains challenging and changing. As the fiduciary body for the organization, the board must ensure that the budget reflects the organization's overall strategic direction and advances its long-term fiscal health. Staff is responsible for developing the annual budget and, in conjunction with the finance committee, presenting it to the board for approval. (See BoardSource Essential Practice 5.)

Figure 23. Financial Performance *(Q1.10, 10.1 CEO)*

	Small	Medium	Large	Indicators of Financial Stability
Better than previous year	46%	53%	53%	• 58% created new staff positions • 53% launched a major initiative • 49% expanded operations or added services (Q10.1) • 53% had increased contributed revenue (Q7.6)
About the same	40%	38%	36%	
Worse than previous year	14%	9%	11%	• 22% dipped into reserves or endowment • 21% cut staff • 21% lost revenue due to diminished public funding (Q10.1) • 16% drastically altered program delivery • 16% cut or froze salaries (Q10.1)

WHAT WE FOUND

Financial sustainability tops of the list of organizational challenges identified by CEOs and board chairs. At the broadest level, very few organizations are entirely dependent on a single source of income, and most charities have multiple sources (see Figure 24):

- 96% of charities receive contributions, and 39% of charities receive more than 50% of their income from contributions or grants from individuals, foundations, or corporations.
- 72% of charities have earned income streams, and 21% of charities rely on earned income for more than 50% of their revenue.
- 65% of charities receive government funding, and 22% of charities rely on government funding for more than 50% of their revenue.

WHY IT MATTERS

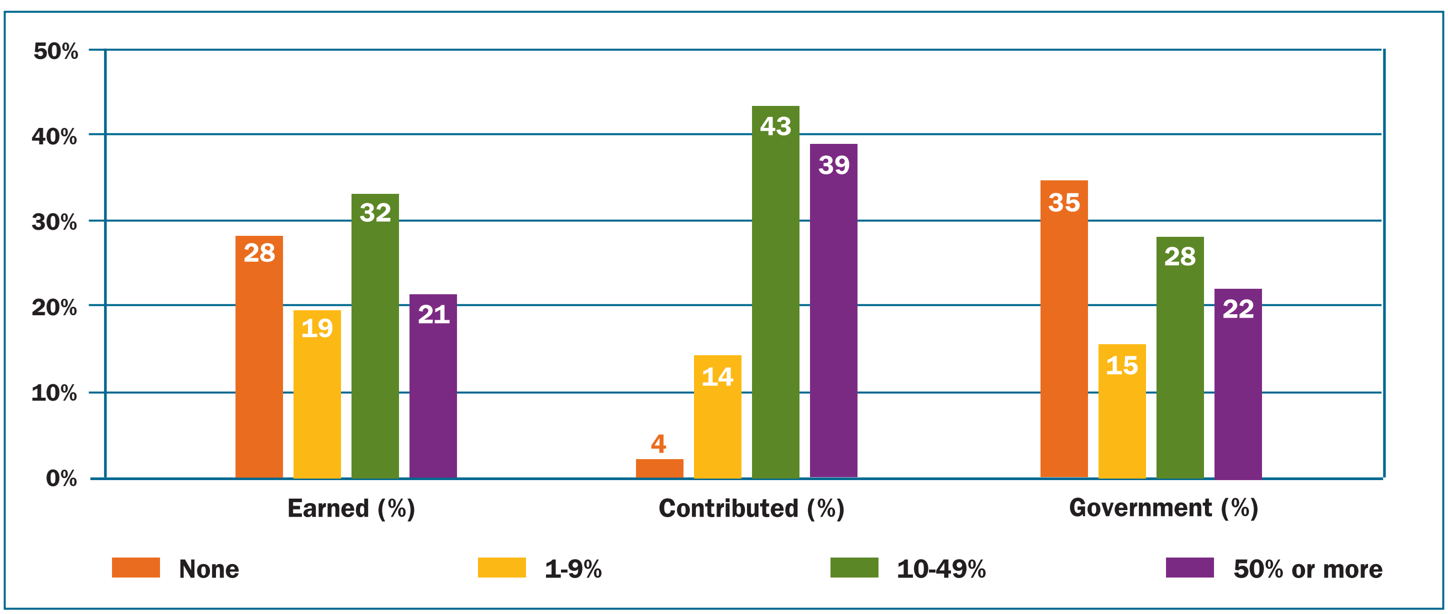
While most organizations are doing better financially than they were, some — especially smaller organizations — are still feeling the pinch. 50% of organizations are doing better than they were in 2013.

In contrast, 11% of organizations report that they are doing worse than they were in 2013. (See Figure 23.)

Boards, in partnership with chief executives and chief financial officers, need to look ahead toward financial sustainability, not just at past financial performance. Anecdotally, BoardSource finds many nonprofit leaders — management and boards — re-examining their business model. They are questioning the vulnerability of different income streams and exploring opportunities to diversify their funding.

> "We are trying to grow to better meet the need in the community, but aggressive growth in a low-income environment is challenging. The board wants to support the growth but struggles to figure out how best to do this."
>
> *—CEO of a youth services organization*

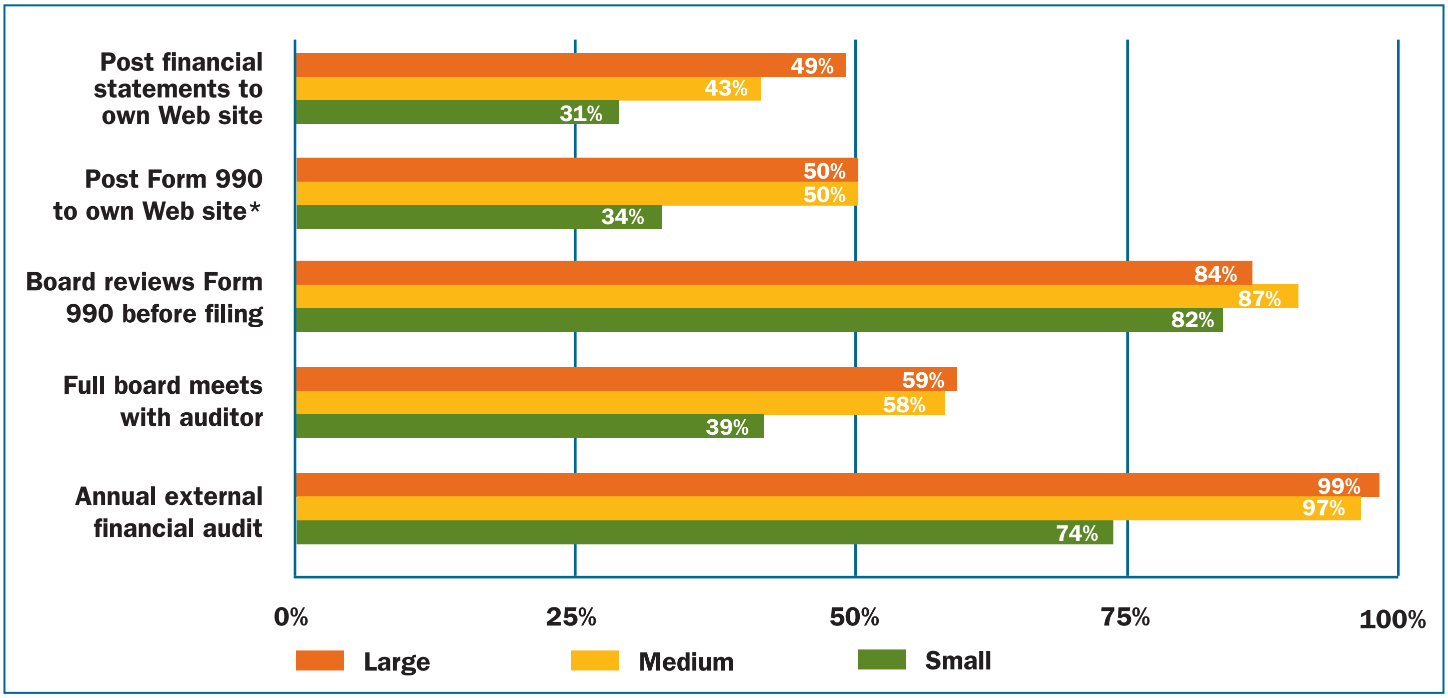
Figure 24. Sources of Revenue: Charities (Excluding Associations and Foundations) *(Q1.9 CEO)*



> "We are facing changes in state law that could require additional work but provide no additional revenue. Our biggest challenge is doing more with less."
>
> *—CEO of health care provider*

WHAT WE FOUND	WHY IT MATTERS
9 out of 10 nonprofit organizations have an external audit, but not quite as many have additional checks-and-balances on financial oversight and disclosure. Larger organizations are more likely to have an independent, external audit. Extra measures to demonstrate fiscal integrity are not as common, especially among small organizations. 51% of boards meet as a full board with the auditor. 39% post their financial statements to their Web site (see Figure 25), and 24% have a stand-alone audit committee.	***An audit provides the board with important information about financial performance and internal controls.*** Audits are generally considered essential for nonprofit organizations with $1 million or more in revenue, and the board is responsible for selecting the auditor. The audit is an annual opportunity for the board to delve deeper into the organization's fiscal health. The full board should meet with the auditor in an executive session without staff present to discuss the results. Once accepted by the board, the organization should make its audited financial statements available to the public by posting it to its own Web site. (See BoardSource Essential Practice 8.)
85% of boards can report to that IRS that they reviewed the Form 990 before it was filed. The Form 990 is a public document and a primary tool for shedding light on the organization's finances, activities, and governance practices. A small but growing percentage of nonprofits are proactive about public disclosure: 44%, compared to 30% in 2010, post it to their own Web site. (See Figure 25.)	***The full board should review the Form 990 before it is filed.*** It is important that board members are familiar with its contents and that it accurately presents the organization to its constituents, donors, and media. (See BoardSource Compliance Practice 3.) ***Every nonprofit should post its Form 990 on its own Web site.*** By posting the Form 990 on the organization's own Web site and making it easily accessible, the board supports and promotes transparency. (See BoardSource Leading Practice 16.)

Figure 25. Financial Oversight Practices *(Q7.1, 7.2 CEO)*

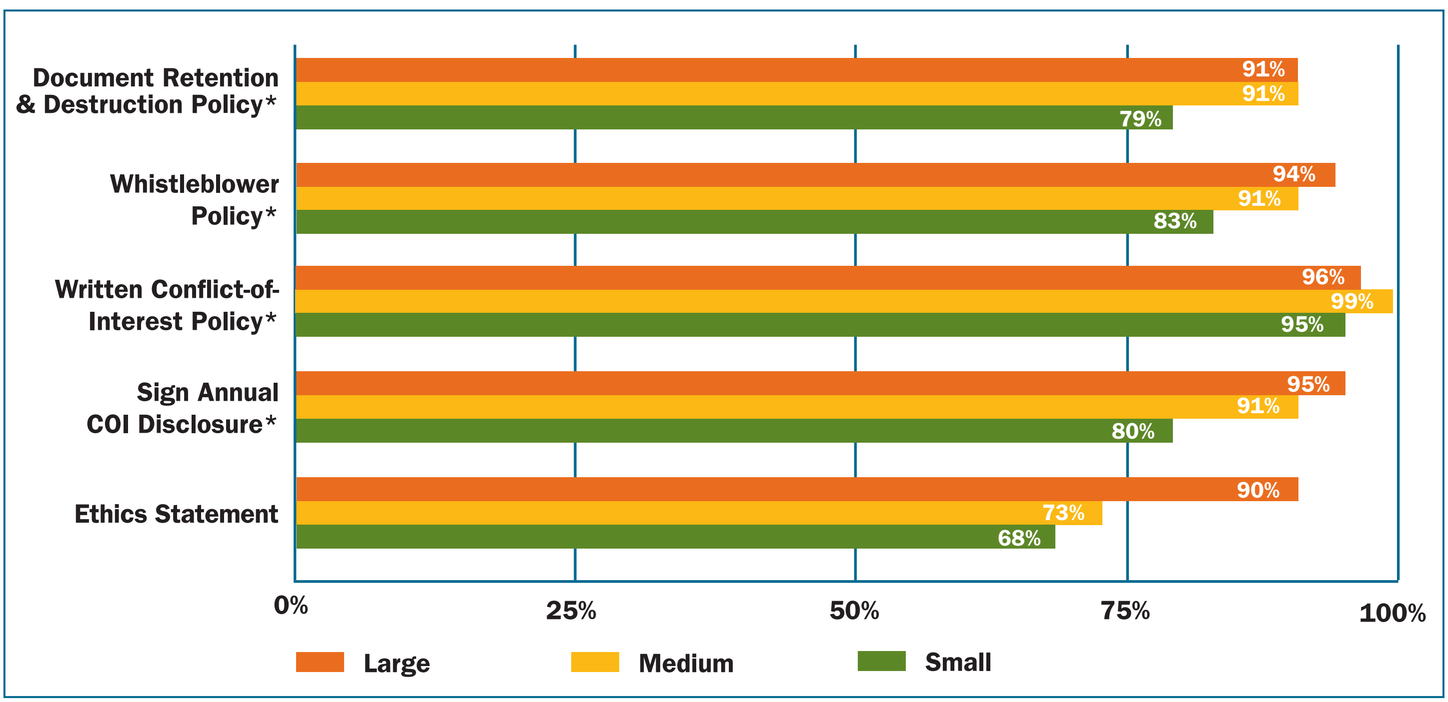


ACCOUNTABILITY POLICIES: HOW CAN BOARDS DEMONSTRATE A DEEPER COMMITMENT TO ACCOUNTABILITY?

With the revised Form 990 now well established, nonprofits are more vigilant about accountability. Good governance, however, requires more than just policies on paper. Board practices that reinforce the spirit of the policies create a strong culture of accountability and transparency.

- 5 out of 6 nonprofit organizations have established policies that the IRS asks about on Form 990.
- Larger organizations tend to have more compliance policies and practices in place.
- Boards could push themselves further to establish practices and processes that demonstrate a deeper commitment to ethics and integrity.

Figure 26. Compliance Policies *(Q7.1, 7.2 CEO)*



* The IRS Form 990 asks questions related to this policy or practice.

WHAT WE FOUND	WHY IT MATTERS
Conflict-of-interest policies are common, but annual disclosure is not. 97% of organizations have a conflict-of-interest policy, up from 88% in 2007. Only (88%) require annual disclosure. (See Figure 26.)	***By actively managing conflicts of interest — real and perceived — a board is better able to remain independent and unbiased in its decision making.*** Board members must adhere to a legal duty of loyalty, making decisions based on what is in the best interest of the organization rather than what is in their personal interest. The board should adopt a conflict-of-interest policy. Board members should sign annual conflict-of-interest disclosures and recuse themselves from participating in discussions and voting when conflicts arise. Senior staff also should sign annual conflict-of-interest disclosures. (See BoardSource Leading Practice 9.)
More than 85% of organizations have established whistleblower and document retention and destruction policies, which emerged out of the Sarbanes-Oxley (SOX) Act of 2002 and were incorporated into the Form 990 in 2009. (See Figure 26.)	***Having these policies is only the first step in strong governance; the board must also be dedicated to implementation and strong oversight.*** The board must ensure that no employee is punished or discriminated against for reporting improper conduct. Federal law stipulates what must happen if allegations of improper conduct are reported. All organizations should have a formal, written whistleblower policy and process for handling complaints and preventing retaliation (See BoardSource Compliance Practice 5.) Likewise, the board also must ensure that no records are destroyed, should the organization come under federal investigation or have reason to believe it is about to be investigated. All organizations should have a document retention and destruction policy to ensure that the law is understood and respected (See BoardSource Compliance Practice 4.)
85% of boards have revised their bylaws within the past 5 years. More notably, 57% have done so within the past 2 years. This average holds true for organizations of varying sizes, types, and geographic scope.	***The board should review the bylaws periodically and ensure timely amendments when necessary.*** Bylaws formalize the board's structure and practices. As an organization evolves, so too does the board's function. It therefore becomes necessary to periodically review bylaw clauses to verify their continued appropriateness and to assess what might be missing. An attorney should verify that the bylaws are in compliance with state statutes. (See BoardSource Leading Practice 6.)
Nonprofit organizations take board liability more seriously. In 2014, 96% of organizations carried directors and officers (D&O) liability insurance for the board, up from 87% in 2007. It is slightly more common for medium (98%) and large organizations (99%) than small organization (92%).	***A D&O insurance policy provides an added level of coverage for decisions that have been made and actions that have been taken in good faith by the board and other officers.*** It typically reimburses the organization and insured individuals for any indemnification expenses. The board should evaluate its circumstances to determine what type of protection it needs.

CULTURE: LEADERSHIP & BOARD DYNAMICS

Board Development
- Role Clarity
- Orientation
- Assessment

Board Dynamics
- Board Engagement
- Group Dynamics & Teamwork
- Board Leadership Succession Planning

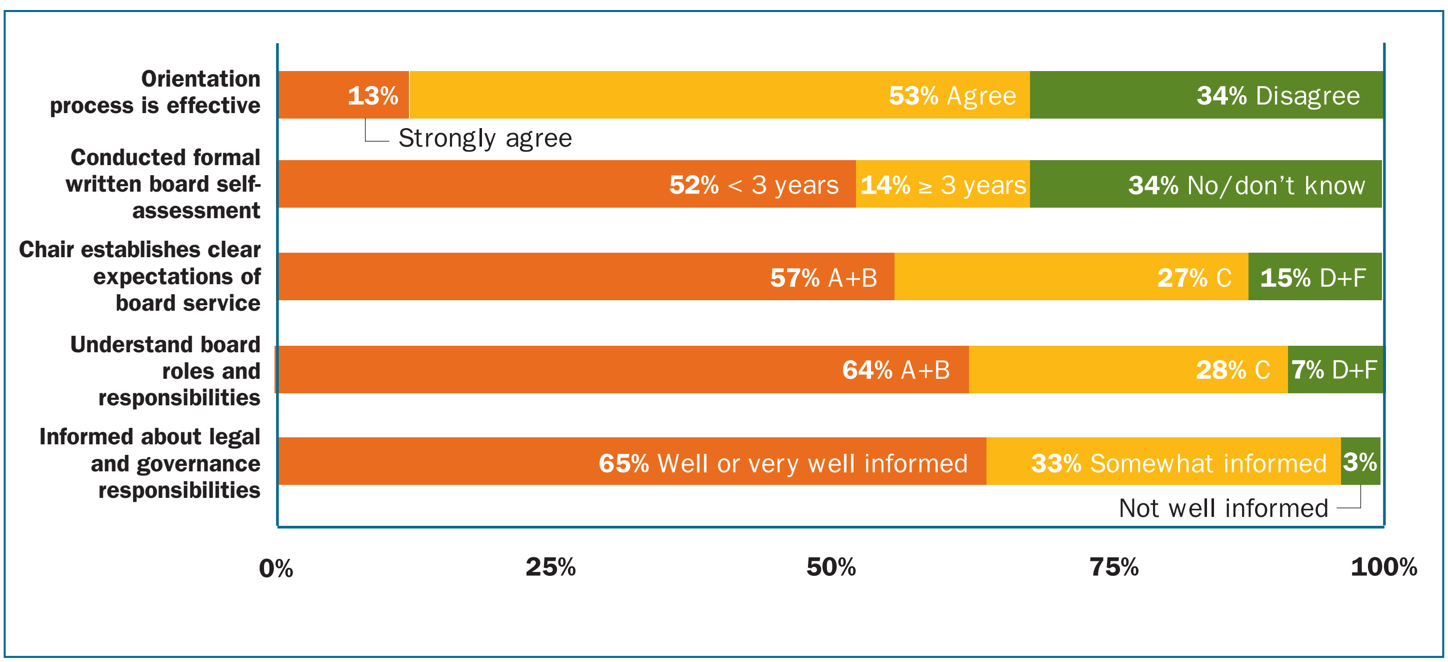
CEO Relations
- Contructive Partnership
- Evaluation & Compensation
- CEO Succession Planning

Board Development

After addressing who is on the board and what the board does, we come to the challenge of culture. How does the board go about doing its work? Leadership culture and group dynamics — within the board and in relation to the chief executive — shape board performance. Role clarity is a prerequisite for meaningful board development and engagement, and data from the 2012 survey revealed that it is also a key determinant in board performance.* The path to clarity around roles and responsibilities includes educating and engaging board members.

- More than two-thirds of boards use written board job descriptions and orientation to communicate the responsibilities of the board and expectations of individual board members.
- One-half of boards go beyond these measures to hold the board accountable for effectively carrying out these responsibilities and meeting these expectations by regularly assessing the board.
- Fewer boards use training, guest speakers, and other board educational activities to support continuous learning.

Figure 27. Board Development: Role Clarity, Education, and Assessment *(Q9.1, 8.3, 9.3, 10.2, 8.1 CEO)*



* Brown, William; Tenuta, Rosemary; Van Puyvelde, Stijn; and Walker, Vernetta. "Determinants of Board Performance in Nonprofit Organizations, Working Paper." Bush School of Government and Public Service, Texas A&M University.

WHAT WE FOUND	WHY IT MATTERS
Helping board members understand their responsibilities requires more than a written job description. 81% of organizations have a written job description for the board, yet only 65% of CEOs feel that their board members are well informed of their governance responsibilities. This varies by organizational size. 84% of CEOs of large organizations, compared to 57% of small organizations, say their boards are well informed of their governance responsibilities. (See Figure 27.) Board chairs could play a stronger role in communicating expectations. Only 57% of CEOs give their chairs an A or B in establishing clear expectations related to board service.	***A written job description should outline the responsibilities of the full board as well as expectations of individual board members*** (see BoardSource Leading Practice 8.) However, it is only a starting point for shaping the collective work of the board. Not only must board chairs serve as role models of exemplary board service, but they should establish and reinforce expectations of board members. They also often bear the burden of delivering difficult messages to board members who do not fulfill their commitments.
Orientation and board education are overlooked and underused practices. Only 66% of CEOs — and 77% of board chairs — agree or strongly agree that board orientation is effective. It also is among the lowest-rated practices related to board roles and responsibilities. (See Figure 27.) Other board development activities are even less common. While 66% of organizations use written resources to educate board members, more interactive educational activities — such as trainings with consultants (46%), seminars (42%), and webinars (26%) — are far less common.	***Board education should be an ongoing effort that builds on an effective orientation program.*** If, as several well-respected nonprofit leaders have stated, “effective governance by the board of a nonprofit organization is a rare and unnatural act,”* then investing in board development is particularly important. Board education should begin with a formal orientation that ensures all board members receive relevant and consistent information about their governance responsibilities and the organization, along with introductions to their board colleagues. (See BoardSource Leading Practice 5.) Board education should not be a one-time event. Continuous — and collective — learning opportunities help deepen board member understanding of the organization and the environment in which it operates. These might be brought into the boardroom via guest speakers or provocative articles; they also might extend beyond the boardroom to conferences, webinars, and retreats.
52% of boards have conducted a board self-assessment recently, 14% conducted an assessment 3 or more years ago, and 29% have never done a board self-assessment. Large organizations are more likely to have done a board self-assessment (67%) than small organizations (44%). CEOs of boards that have done a formal, written board assessment in the past 3 years report higher performing boards, better board orientation, and greater board engagement. (See Figure 28.)	***Boards that have conducted a board self-assessment in the past 3 years were rated higher on many aspects of board performance.*** Only through structured self-reflection can board members judge their collective performance, understand the extent of their individual responsibilities, and take action to improve board performance. BoardSource recommends boards do a comprehensive board self-assessment every 2 to 3 years to strengthen their performance and deepen board member engagement. (See BoardSource Leading Practice 4.)

* Chait, Richard; Holland, Thomas P.; and Taylor, Barbara E. “The New Work of the Nonprofit Board.” *Harvard Business Review*, September-October 1996.

"We recently constituted our Governance Committee. They have taken on a monumental task and done extremely well, informing and educating the rest of the board along the way. They have ensured that this is not just a one-time process but that the education portion will continue."

—CEO of a local philanthropic organization

Figure 28. Improved Board Report Cards: Board Self-Assessment *(Q10.2, 9.1 CEO)*

	Assessment within past 3 years	No assessment within past 3 years
Board Performance	A + B	A + B
Financial oversight	89%	80%
Provide guidance and support to CEO	79%	65%
Level of commitment and involvement	75%	66%
Adopt and follow a strategic plan	73%	57%
Understand board's roles and responsibilities	72%	57%
Evaluate the CEO	72%	52%
Fundraising	38%	31%
Board chair establishes clear expectations of board service	67%	48%
Majority of board actively engaged in governing the organization	85% agree	72% agree
Orientation process is effective	75% agree	57% agree

Board Dynamics

Most nonprofit leaders — board and professional staff alike — desire greater board engagement, but what they mean by this can be difficult to define and often varies depending on the organization and the individuals involved. Regardless, achieving it requires thoughtful attention to board culture and dynamics. More work could be done to harness the power of boards for the good of their organizations:

- Only 1 in 5 CEOs strongly agree that the majority of board members are engaged.
- Boards operate as a team and share leadership, but only to a limited extent.
- Board chairs set the tone for the collective culture of the board. Chief executives give their board chairs good, but not great, grades on their leadership of the board.

"Our board chair has just completed her first year of a two-year term and has changed the board culture significantly. She is very positive and involves everyone in discussions."

—CEO of a youth services organization

WHAT WE FOUND	WHY IT MATTERS
Board engagement remains on the list of board performance areas in need of improvement. 32% of CEOs and 27% of board chairs identify strengthening the commitment and engagement of individual board members as an important area for board improvement. Yet, 70% of CEOs give their boards an A or B on commitment and involvement, compared to 62% in 2012.	***Defining what constitutes board engagement, while difficult, can help guide efforts to improve it.*** Board engagement includes a combination of active board member participation, passion for the mission, a true understanding of the organization, and an appreciation of the right level of board involvement. Some of these elements are more easily measured in quantitative terms, such as attendance and giving; others are more qualitative leadership skills that require awareness, reflection, and refinement over time. Engagement can be built into the board's culture by giving concerted effort to all of these elements.
A majority of boards display some evidence of shared leadership. Shared leadership is "a dynamic, interactive influence process among individuals in groups for which the objective is to lead one another to the achievement of group or organizational goals or both."* To measure shared leadership, BoardSource looked at interpersonal support and collaborative decision making in the boardroom. CEOs report the strongest behaviors relate to listening, followed by contributing to and taking turns leading conversations. Weaker aspects of shared leadership include developing each other's others strengths and involving all board members in conversations. (See Figure 29.)	***Board work is, fundamentally, a collective effort, and it requires a unique kind of teamwork among board members, led by the chair and CEO.*** Effective teamwork depends not only on who is on the board, but on how they come together. Board practices and individual leadership styles will shape how the board functions as a collective body. Effective leadership and group facilitation from the board chair and CEO can help foster a greater sense of teamwork and establish a climate of mutual trust and respect.

Figure 29. Board Dynamics: Indicators of Shared Leadership and Board Engagement

(Q9.1, 9.2 CEO; Q5.1, 5.2 Chair)

	Strongly Disagree	Disagree	Agree	Strongly Agree
Board members listen attentively to each other.	0%	6%	55%	39%
Each board member contributes unique perspectives to issues under consideration.	1%	12%	61%	26%
At board meetings, different individuals take the lead on topics or issues.	1%	17%	58%	24%
The majority of board members are actively engaged in overseeing and governing the organization.	2%	20%	60%	19%
Generally, all board members participate in discussions versus conversations dominated by a few or the same individuals.	1%	25%	56%	17%
Board members help develop each other's strengths.	2%	35%	49%	14%

* Pearce, C.L and Conger, J.A.. *Shared Leadership: Reframing the Hows and Whys of Leadership*. Thousand Oaks, CA: Sage Publications, Inc. 2003.

WHAT WE FOUND	WHY IT MATTERS
Board chairs earn a B (2.93) from their CEOs. CEOs grade their chairs relatively higher on managing relationships — with the CEO and among board members — than on facilitative leadership functions, such as managing group decision making, framing issues, and setting expectations (see Figure 30). The averages on all of these indicators have declined since 2010, suggesting that the challenges of the past few years also may have taken their toll on board chairs. Board chairs are dedicated to the boards and organizations they chair. They spend an average of 14.5 hours per month on board work. Nearly half of them serve on only 1 nonprofit board — the board they chair — and their median tenure on that board is 6 years. (See Profile of Respondents, page 47.)	***Having a chair with management experience and a clear commitment to the organization strengthens the board.*** The most demanding board work rests on the shoulders of the board chair, who serves as both the chief volunteer officer and role model for other board members. The board chair also is responsible for developing the board as a cohesive and effective team. In-depth analysis from the 2012 survey revealed that boards whose chairs serve on only 1 board; have expertise in human resources, business, or fundraising; and have made a personal contribution are rated higher by their CEOs.* These findings provide tangible evidence of the dedication of boards chairs and the importance of cultivating board leaders with management and fundraising experience.

Figure 30: Board Chair Report Card from CEOs *(Q9.3 CEO)*

How would you grade the leadership of the current board chair in the following areas?	Grade			
	A	B	C	D/F
Cultivates a productive, constructive partnership with the CEO	55%	24%	14%	7%
Fosters an environment that builds trust	42%	33%	19%	6%
Is able to resolve conflict, build consensus, and reach compromise	33%	33%	25%	9%
Encourages board to frame and discuss strategic questions	34%	29%	25%	12%
Establishes clear expectations of board service	23%	34%	27%	15%

WHAT WE FOUND	WHY IT MATTERS
Despite many boards having term limits for their board chairs, board succession planning remains a vexing challenge for at least one-half of the boards. Only 49% of CEOs, compared to 67% of board chairs, agree that their organizations have an effective process in place for officer succession. Chief executives, who are likely to navigate several chair transitions, cite building a board leadership pipeline among the top five most important areas for board improvement. (See Figure 16, page 23.)	***Electing a good chair is too important to leave to chance.*** Effective board leadership contributes to strong board performance in terms of internal and external functions. Officer succession planning should be an ongoing activity for every board. Boards need to identify and nurture promising leaders. They can do this by rotating committee assignments, giving promising leaders other leadership positions (committee or task force chair), providing board developing training, and asking experienced board members to mentor upcoming leaders.

* Brown, William; Tenuta, Rosemary; Van Puyvelde, Stijn; and Walker, Vernetta. "Determinants of Board Performance in Nonprofit Organizations, Working Paper." Bush School of Government and Public Service, Texas A&M University.

CEO Relations

There is good news: The vast majority of nonprofit chief executives and their boards agree that they have productive working relationships. The greater challenge is anticipating looming leadership changes. CEO transitions are pivotal points that exert a profound impact on an organization. That is why the selection, evaluation, and retention of the right chief executive are widely proclaimed as the board's most important responsibilities. But, certain aspects of these functions are often neglected:

- 1 out of 5 nonprofit boards have not conducted a formal performance evaluation of its CEO.
- 1 out of 4 nonprofit boards have not done their due diligence on setting executive compensation in terms of gathering comparable data and documenting their process and decisions.
- One-third of boards have an executive succession plan, but one-half of all CEOs intend to leave the post within the next 5 years.

WHAT WE FOUND	WHY IT MATTERS
Most CEOs and boards have a constructive partnership, but room remains for deeper board involvement. 65% of chairs, compared to 42% of CEOs, strongly agree that the CEO involves the board in leading the organization. To this end, most CEOs (50%) report that they spend 12 to 20 hours per month on board issues. There is somewhat more consensus around board support of the CEO. 72% of CEOs and 80% of chairs give their boards an A or B on providing the CEO with guidance and support. Mutual trust, respect, and candor are essential underpinnings for a constructive partnership. CEOs earn an average of 3.41 out of 4.00 from chairs when asked to evaluate the partnership. Looking more closely at the indicators, however, the averages are slightly higher for collaborating and communicating than for challenging the CEO and trust with sharing mistakes. (See Figure 31.)	***Nonprofit boards and chief executives bring complementary ingredients to the governance partnership that, when combined, are greater than the sum of their parts.*** Understanding, defining, and adhering to their respective roles looks different depending on where you sit. Board members need to remember that it is lonely at the top and that there are, on average, 15 board members to a single chief executive. Chief executives need to remember that they have more direct interaction with the organization's programs and services and more detailed information about operations than board members.

Figure 31. Constructive Partnership *(Q9.1, 9.2 CEO; Q5.1, 5.2 Chair)*

	CEO	Chair
Communication between the CEO and board is open and honest.	3.56	3.61
There is effective collaboration between the CEO and board on major decisions.	3.49	3.62
The CEO actively involves the board in leading the organization.	3.37	3.60
The board openly discusses and challenges recommendations made by the CEO.	3.33	3.48
I can share and discuss my mistakes with the board without fear they will hold them against me.	3.28	3.46
Board members help develop each other's strengths.	2.76	3.09

1 = Strongly disagree, 2 = Disagree, 3 = Agree, 4 = Strongly agree

WHAT WE FOUND	WHY IT MATTERS
50% of CEOs are not members of their boards; 38% are ex officio nonvoting members of the board. Overall, only 12% of CEOs are voting members of the board, but this is more common in larger organizations (21%). While *executive director* is still the most common title for the chief staff officer, it has lost ground to *president and/or CEO*. In 2004, 70% of chief staff officers were executive directors. Now, 58% are executive directors, followed by president and CEO (17%) and CEO (14%).	***Chief executives should be ex officio, nonvoting members of the board.*** Chief executive input in board meeting deliberation is instrumental and invaluable for informed decision making. Serving on the board acknowledges their leadership role in the organization and puts them on similar footing with other board members. However, they should be nonvoting members of the board to avoid actual or perceived conflicts of interest, questions concerning accountability, and blurring the line between oversight and execution. (See BoardSource Leading Practice 7.) A trend away from the executive director title and toward the president and/or CEO title continues. This may reflect increased professionalism of nonprofit management and/or a growing number of corporate executives migrating into the nonprofit sector. The title of CEO may also be used to convey more authority and greater stature to the office.
Larger organizations are more likely to have conducted a performance review of the CEO within the past 2 years. 95% of large, 84% of medium, and 69% of small organizations have evaluated the CEO's performance within the past 2 years. 83% of CEO performance reviews include a formal, written evaluation. Only one-half of the boards gather feedback from the full board, and one-quarter of the boards invite feedback from senior staff. Only 75% of CEO performance evaluations are shared with the full board. (See Figure 32.) 73% of CEOs are satisfied with their performance evaluation process. And, more notably, 91% are satisfied with their jobs. CEOs who have formal performance evaluations are more satisfied with their jobs.	***All boards should evaluate the chief executive's performance annually.*** The chief executive can remain accountable for his or her performance only if the position is well defined (and documented in a written job description) and annual goals are mutually agreed upon by the board and CEO. (See BoardSource Essential Practice 6.) A formal CEO evaluation benefits and protects both the chief executive and the board. The full board bears collective responsibility for hiring and firing the CEO. Even if the chair or a committee leads the evaluation, all board members should be given the opportunity to provide feedback and review the final assessment. Of course, as a personnel matter, the results should remain confidential between the board and CEO. (See BoardSource Essential Practice 7.)

"The board is at a crossroads and wants shared leadership with the CEO after years of being more passive. That is good, and there are some very strong board members who would be ranked high in many categories. Others are still struggling with their role and understanding our mission, impact, and governance."

—CEO of a faith-based organization

Figure 32. CEO Performance Evaluation and Compensation Practices *(Q9.4, 9.5, 9.6, 9.7, 9.8, 9.9 CEO)*

Performance Evaluation Processes	Small	Medium	Large	All
CEO performance evaluation within the past 2 years	69%	84%	95%	80%
Formal, written evaluation (Yes)	80%	84%	82%	83%
My evaluation is based on performance goals mutually agreed on by the board and CEO. (Agree + Strongly Agree)	75%	76%	82%	77%
Feedback from full board	50%	51%	49%	50%
Feedback from senior staff	14%	24%	26%	21%
Results shared with full board (Yes)	76%	72%	81%	75%
I am satisfied with the process used to evaluate my performance. (Agree + Strongly Agree)	74%	72%	80%	73%
Executive Compensation Practices	**Small**	**Medium**	**Large**	**All**
The process for setting the CEO's total compensation uses data from comparable organizations. (Agree + Strongly Agree)	62%	82%	83%	75%
The full board approves and documents process used to determine CEO compensation. (Agree + Strongly Agree)	59%	68%	73%	65%
I am satisfied with the process used to set my compensation. (Agree + Strongly Agree)	69%	78%	79%	75%

WHAT WE FOUND

Boards need to be more thorough in setting, approving, and documenting executive compensation decisions. While 75% of CEOs are satisfied with the process used to set their compensation, at least one-quarter of nonprofits are lacking some critical steps. 25% of boards do not use data from comparable organizations, and 35% of boards do not approve and document the decision-making process. (See Figure 32.)

WHY IT MATTERS

Boards need a fair and formal process for setting executive compensation. The board needs to establish guidelines on how to determine appropriate compensation. If the board offers too little, it risks losing the chief executive to competing organizations. If it offers too much, it risks providing excess benefits and subjecting itself and the organization to intermediate sanctions.

The IRS has established safe harbor measures for compensation that include 3 critical steps:

1. Rely on recognized comparative studies.
2. Ensure the decision is made by independent board members.
3. Document the decision-making process, which often includes the performance evaluation.

The full board should approve both the process and the resulting compensation package. (See BoardSource Compliance Practice 2.)

> "Our biggest challenge is succession planning for the time when we may lose an excellent executive director." *—Board chair of a charity*

WHAT WE FOUND	WHY IT MATTERS
Only 34% of boards have a written CEO succession plan. Yet, 50% of boards will be confronted with replacing a CEO within the next 5 years. 25% of CEOs intend to leave their post within the next 2 years, and another 25% intend to leave within 3 to 5 years. While job satisfaction among nonprofit executives remains high, with 91% of CEOs satisfied, the percentage of those who are very satisfied declined from 65% in 2012 to 51% in 2014. 41% of CEOs have been in their position for 10 or more years, and another 39% between 3 and 10 years. Only 21% have been in their current positions for 3 or fewer years.	***Executive succession planning should be a priority, especially if the organization has a long-standing CEO.*** Leadership transitions are inevitable, and boards need to be prepared. A first step might be to develop an emergency or contingency plan to provide guidance and continuity in the event of an unexpected absence. A more complete executive succession plan includes a policy and process for managing an executive transition. It should allow for evaluating the organization's leadership needs, establishing search and transition committees, delegating interim management responsibilities, and communicating with stakeholders.

PROFILE OF RESPONDENTS

Characteristics of Participating Organizations

The respondent pool represents a cross-section of nonprofit organizations based on budget size and geographic service area (see Figure P1), as well as on missions (see Figure P2). Participating organizations are well distributed geographically and come from all 50 states with the exception of South Dakota. The respondents also include 11 non-U.S.-based organizations (see Figure P3).

Chief Executives

The 846 individuals who responded to the chief executive survey have an average tenure of 9.3 years as chief executive, compared to 9.1 years in 2012. Their average age is 55, 89% are White, and 65% are female (see Figure R1). However, the larger the organization, the more likely it is that the chief executive is male (see Figure R2).

Board Members

The average tenure of the 246 board chair respondents is 7.2 years. Board chair demographics in Figure R1 and Figure R2 represent the individual respondents' characteristics; board chair and other board member demographics in diversity and inclusivity were reported by chief executives for boards.

Figure P1: Profile of Responding Organizations

Annual Operating Budget (T1.8 CEO)		846
Small	Less than $1 million	37%
Medium	$1 million to $9.9 million	49%
Large	$10 million and more	14%
Geographic Service Area (Q1.3 CEO)		
Local	Local	41%
State	State or regional within a state	39%
National	Regional across multiple states or national	13%
International	International	7%
Type of Organization (T1.1 CEO)		
Charity	Public charity	83%
Association	Trade association or professional society	8%
Foundation	Private, independent, community, public, operating, or other	6%
Other	Other, including governmental agencies	2%
Network Affiliation (Q1.4 CEO)		
Parent	National or parent office of a network, federated, or affiliated group	11%
Affiliated	Local or regional chapter or branch	25%
Not Affiliated	Not part of a formal network or system	65%

Year Founded (Q1.6 CEO)	
Before 1949	19%
1950-1974	22%
1975-1999	46%
2000-2014	13%

Figure P2: Mission Areas of Participating Organizations *(Q1.2 CEO)*

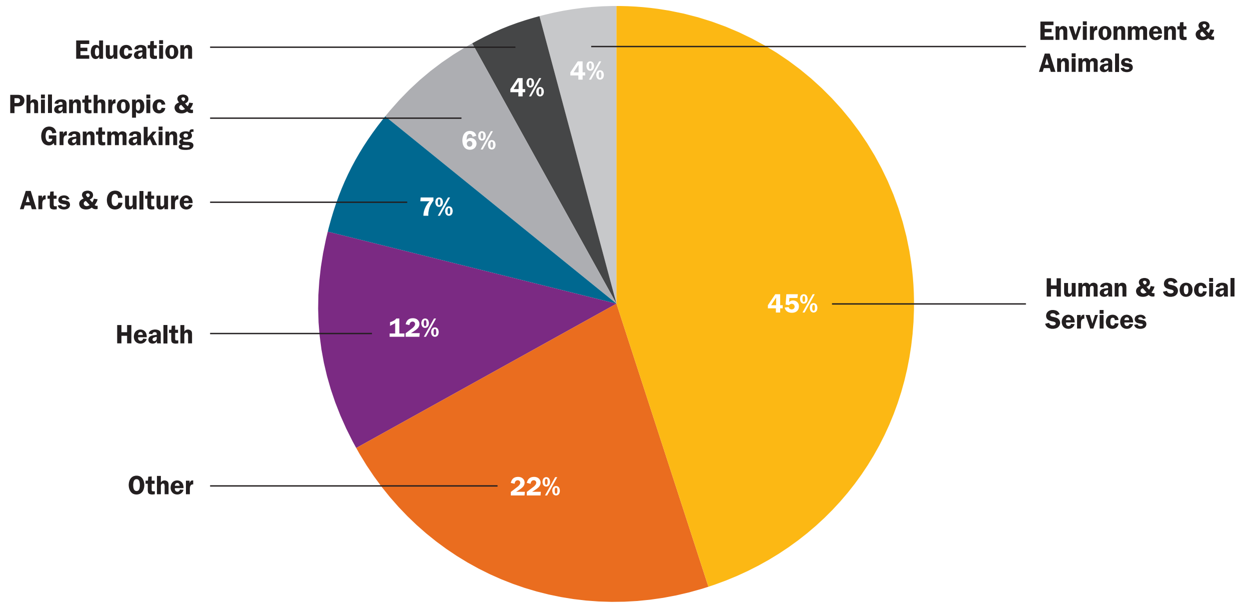


Figure P3. Location of Responding Organizations

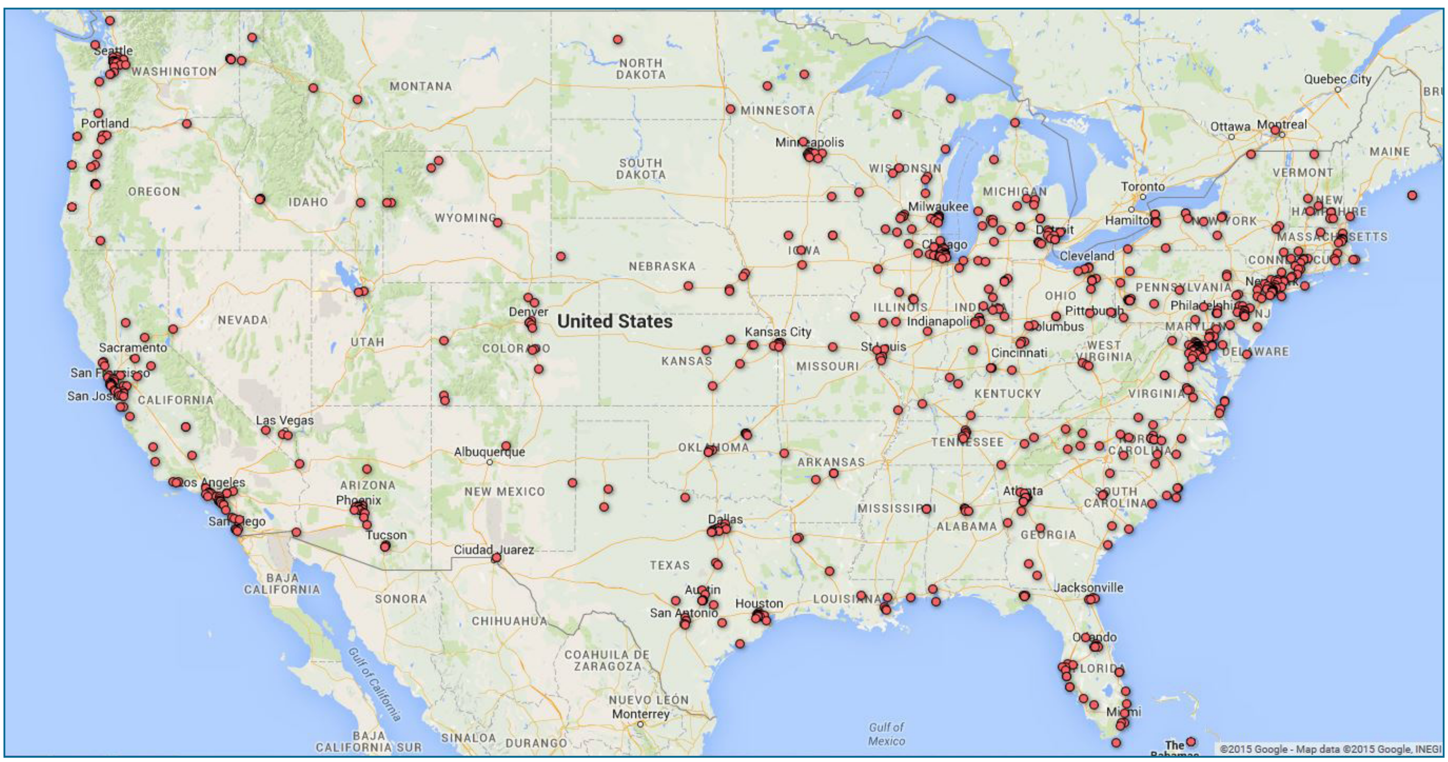


Figure R1: Demographics of Respondents and Responding Organizations

		CEO	Chair	Board
Number		846	246	12,795
Race/Ethnicity (Q1.15 CEO; Q1.6 Chair)	White	89%	90%	80%
	People of Color	11%	10%	20%
Gender (Q1.14 CEO; Q1.5 Chair)	Male	35%	54%	52%
	Female	65%	46%	48%
Age (Q1.16 CEO; Q1.7 Chair)	<40	6%	10%	16%
	40-64	80%	64%	68%
	65+	14%	27%	16%

Figure R2. CEO Demographics: Gender by Budget Size *(Q1.14 CEO)*

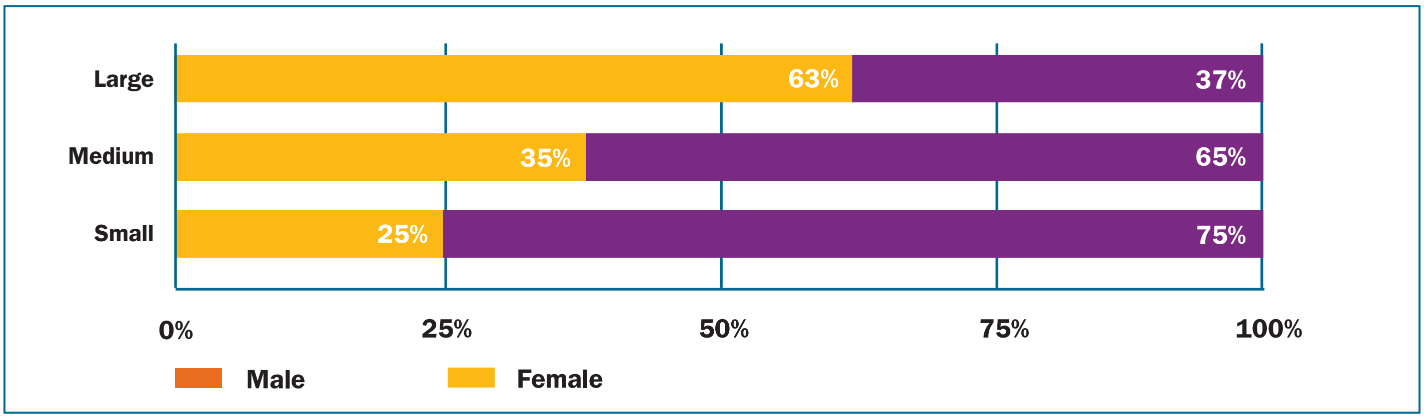


Figure R3: Board Service of Board Chair Respondents *(Q1.2, 1.3 Chair)*

		Percent
Other Board Service	1 Nonprofit Board	44%
	2 Nonprofit Boards	32%
	3+ Nonprofit Boards	24%
	Corporate (51/232)	22%
	Other (27/232)	12%
		Median
Years of Service to Organization	As Board Members	6%
	As Chair	1%

APPENDIX 1: METHODOLOGY

Leading with Intent is the only national study of nonprofit governance that includes responses from both chief executives and board chairs and features responses from chief executive and board chair pairs from the same organization.

An initial survey was sent to a convenience sample of 26,962 nonprofit chief executives. This list comprised individual leaders who are a part of BoardSource's network of leaders.

846 chief executives completed the first survey, which included 81 questions about board composition, structure, practices and performance. Additionally, chief executives were asked to share contact information for their board chairs and grant BoardSource permission to send a second survey that focused on the chair's perceptions of board performance and dynamics. Of the 846 chief executives who completed the initial survey, 664 of them provided contact information for their board chairs. BoardSource sent the board chair survey to this group, and 37% of them (246 individuals) completed the board chair survey, which included 30 questions.

All surveys were completed between May 20, 2014, and July 14, 2014, and measured board practices that were current at the time of the surveys. The respondents represent a broad cross-section of the nonprofit sector, including public charities, associations, and foundations, as well as organizations with different budget sizes, geographic service regions, and mission areas. Of the chief executives, 37% represent small organizations with annual operating budgets less than $1 million, 49% represent medium organizations with budgets between $1 million and $9.9 million, and 14% represent large organizations with budgets of $10 million or more. (See Profile of Respondents, page 47).

Leading with Intent presents an overview of the findings and select comparative data tables in the Data-at-a-Glance (see page 53). Complete data files are available for purchase at leadingwithintent.org.

This is BoardSource's eighth census of nonprofit board practices. Previous surveys — under the banner of the *BoardSource Nonprofit Governance Index* – were conducted in 1994, 1996, 1999, 2004, 2007, 2010, and 2012. Where possible, BoardSource conducted a generalized trend analysis (rather than a statistical comparison) of questions that had been included in previous surveys, though it is important to note that sample sizes are not consistent across all years.

Leading with Intent was written by Marla J. Bobowick, BoardSource senior governance consultant, in partnership with BoardSource's program team, which is led by Vernetta Walker, vice president for programs & chief governance officer. Rosemary Tenuta, BoardSource's director of assessment services, served as the project manager and lead data analyst. The survey was administered using survey software licensed from Qualtrics. In appreciation for their participation in the survey, respondents were offered a complimentary BoardSource publication.

BoardSource thanks the William and Flora Hewlett Foundation for its support of *Leading with Intent*.

Group	E-mails sent	Surveys opened	Open rate	Surveys completed	Response rate
CEO Visitors or Guests	22,418	1,225	5%	459	37%
CEO Member (Paid)	4,544	840	18%	419	48%
CEO Combined	26,962	2,065	8%	878*	43%
Board Chair	664	261	39%	246	94%

** Data was not useable for a variety of reasons for 27 completed surveys, resulting in 846 useable chief executive responses.*

Leading with Intent
Data-At-A-Glance

		BUDGET SIZE			TYPE				SERVICE AREA				AFFILIATION		
	All	Small < $1 million	Medium $1 - 9.9 million	Large ≥ $10 million	Charity*	Association	Foundation	Other	Local	Regional within state/ State	Multistate/ National	International	Parent	Affiliated	Not Affiliated
Number of Organizations	846	311	417	116	702	71	54	19	347	326	110	63	90	209	547
BOARD STRUCTURE															
Average board size	**15.3**	13.7	15.6	18.6	15.4	15.1	14.8	12.9	15.1	16.0	14.7	13.3	16.1	16.4	14.7
3-year terms for board members	**63%**	62%	65%	65%	66%	51%	56%	37%	66%	63%	61%	58%	58%	64%	64%
No limit on consecutive terms for board members	**29%**	33%	26%	28%	29%	28%	31%	42%	26%	30%	36%	30%	29%	28%	29%
Limit board members to 2 or 3 consecutive terms	**62%**	60%	65%	56%	64%	58%	56%	42%	65%	62%	52%	58%	60%	65%	61%
CEO as voting member of the board	**12%**	13%	9%	21%	12%	17%	13%	5%	8%	10%	17%	33%	11%	6%	14%
BOARD PRACTICES															
Revised bylaws within the past 5 years	**85%**	85%	86%	84%	86%	89%	70%	74%	87%	85%	81%	87%	89%	88%	84%
Formal, written board assessment within past 3 years	**51%**	44%	53%	67%	54%	32%	47%	44%	51%	52%	59%	39%	49%	64%	47%
Directors and officers liability insurance	**96%**	92%	98%	99%	96%	95%	94%	82%	98%	95%	97%	85%	92%	96%	99%
Pay board members an honorarium	**2%**	1%	3%	1%	0%	3%	13%	24%	1%	2%	4%	2%	2%	2%	0%
Reimburse board members for expenses	**21%**	12%	22%	43%	16%	50%	34%	65%	9%	19%	48%	47%	34%	28%	16%
ACCOUNTABILITY POLICIES & PRACTICES															
Annual financial audit	**89%**	74%	97%	99%	89%	80%	92%	100%	89%	90%	91%	80%	82%	89%	98%
Distribute Form 990 to board before filing	**85%**	82%	87%	84%	86%	76%	89%	41%	88%	83%	83%	78%	86%	78%	86%
Post Form 990 on own Web site	**44%**	34%	50%	50%	46%	26%	55%	12%	44%	44%	42%	49%	53%	37%	47%
Written conflict-of-interest policy	**97%**	95%	99%	96%	98%	92%	94%	94%	99%	97%	94%	92%	97%	98%	97%
Whistleblower policy	**88%**	83%	91%	94%	89%	77%	91%	88%	88%	90%	89%	78%	91%	100%	90%
Document retention and destruction policy	**86%**	79%	91%	91%	87%	77%	87%	100%	87%	88%	88%	73%	81%	91%	88%
Formal, written CEO evaluation	**83%**	80%	84%	82%	83%	80%	79%	80%	87%	82%	78%	69%	88%	85%	81%
CEO evaluation shared with FULL board	**75%**	76%	72%	81%	74%	84%	79%	75%	72%	76%	77%	81%	83%	70%	76%

* See Figure P2 for organizations included under a charity.

	All	Small < $1 million	Medium $1 - 9.9 million	Large ≥ $10 million	Charity*	Association	Foundation	Other	Local	Regional within state/ State	Multistate/ National	International	Parent	Affiliated	Not Affiliated
		SIZE			TYPE				SERVICE AREA				AFFILIATION		
BOARD MEETINGS															
6 or fewer board meetings per year	**52%**	47%	52%	60%	47%	66%	80%	56%	35%	53%	75%	85%	65%	59%	35%
Meetings that are 2.5 hours or less	**78%**	87%	76%	60%	83%	46%	63%	61%	94%	79%	50%	37%	67%	80%	88%
Board portal or password-protected site	**30%**	25%	27%	50%	27%	53%	33%	44%	22%	28%	45%	47%	33%	37%	23%
Annual retreat	**75%**	76%	75%	72%	74%	75%	85%	73%	74%	77%	77%	69%	69%	79%	79%
COMMITTEES															
Average number of committees	**4.8**	4.5	4.9	5.6	4.8	6.0	4.9	3.7	5.0	4.6	5.4	4.2	5.0	5.2	4.7
Executive Committee	**78%**	74%	79%	85%	79%	70%	73%	68%	77%	81%	77%	72%	77%	87%	75%
Financial/Finance & Audit Committee	**80%**	73%	83%	85%	82%	75%	62%	42%	80%	82%	75%	70%	80%	83%	78%
Audit Committee (separate from Finance)	**24%**	10%	26%	51%	22%	23%	44%	26%	23%	21%	30%	31%	23%	21%	24%
Governance/Governance & Nominating Committee	**53%**	42%	57%	66%	54%	44%	51%	53%	51%	57%	47%	45%	53%	53%	52%
Nominating Committee (separate from Governance)	**24%**	27%	23%	26%	22%	58%	16%	16%	24%	21%	32%	31%	37%	26%	22%
Fundraising/Development Committee	**60%**	64%	57%	59%	66%	21%	38%	21%	66%	59%	57%	33%	56%	64%	59%
DIVERSITY															
Male	**52%**	48%	53%	60%	51%	58%	58%	54%	49%	52%	55%	62%	53%	53%	51%
Female	**48%**	52%	47%	40%	49%	41%	42%	46%	50%	48%	45%	38%	47%	47%	48%
White	**80%**	79%	79%	81%	78%	86%	85%	90%	79%	79%	82%	82%	82%	77%	80%
People of color	**20%**	21%	21%	19%	22%	14%	15%	10%	21%	21%	18%	18%	18%	23%	20%
< 40 years	**17%**	20%	15%	10%	17%	14%	14%	3%	18%	17%	12%	14%	16%	20%	15%
40-64 years	**67%**	67%	69%	65%	67%	74%	61%	75%	67%	68%	69%	67%	71%	68%	67%
65+ years	**16%**	13%	16%	25%	15%	12%	26%	22%	15%	15%	20%	19%	14%	12%	18%

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