

# LEADING WITH INTENT 2014

## A National Index of Nonprofit Board Practices



BoardSource has been collecting and analyzing trends in nonprofit board practices through its *Nonprofit Governance Index* since 1994. Now reintroduced as **Leading with Intent**, the index is the only national survey to gather information from both chief executives and board chairs on their experiences in the boardroom. BoardSource will be supplementing this short preview of key findings with in-depth reports beginning in late 2014.

### Board report card

	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



### Boards earn a B- average.

To evaluate board performance, BoardSource asked chief executives and board chairs to grade their boards. Boards earned a 2.65 or B- average — underwhelming results for the top leaders of their organizations and such high-achieving individuals. 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.

## Finding financial stability amidst constant change requires strategic leadership.

Still 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 — remain pinched. The political, economic, regulatory, and demographic forces shaping our society are constantly changing, and so must our organizations if we wish to remain vital and vibrant.



*“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

### Roughly 50% of survey respondents

- created new staff positions
- launched major initiative or expansion (e.g., program, building)
- expanded operations or added services
- increased contributed revenue

Roughly 20% dipped into reserves or endowment and/or lost revenues.

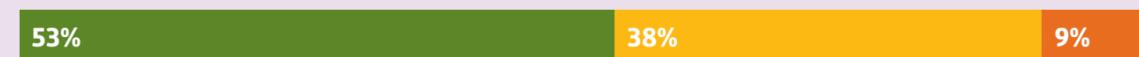
Roughly 15% drastically altered program delivery, froze salaries, or downsized operations.

### Financial performance

■ Better than previous year ■ About the same ■ Worse than previous year



Small Organizations – Less than \$1 million operating budget



Medium Organizations – \$1 million to \$9.9 million operating budget



Large Organizations – \$10+ million operating budget

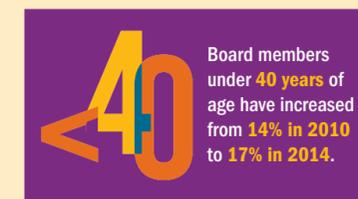
## Board diversity is not a numbers game. It's the people who count.

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. Yet, only 73% of chief executives agreed

that they have the *right* board members to effectively oversee and govern their organization.

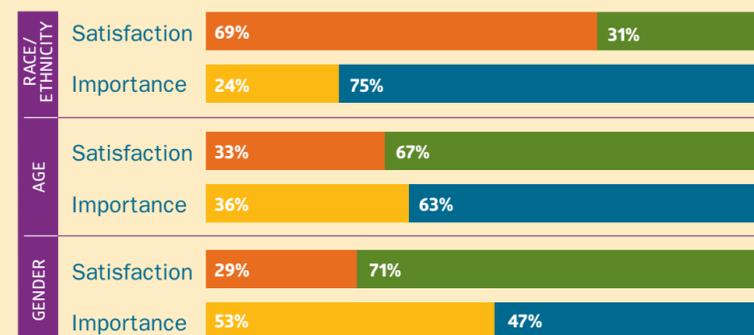
The nonprofit sector has seen modest progress on increasing racial/ethnic, gender, and age diversity among chief executives and board members. But, distinct

diversity gaps persist. Digging deeper into the numbers, more than 50% of organizations demonstrate *functional* inclusion (formal policies, practices, and processes), but fewer than 50% report a great degree of *social* inclusion (interpersonal dynamics and group culture).



### Diversity satisfaction & importance

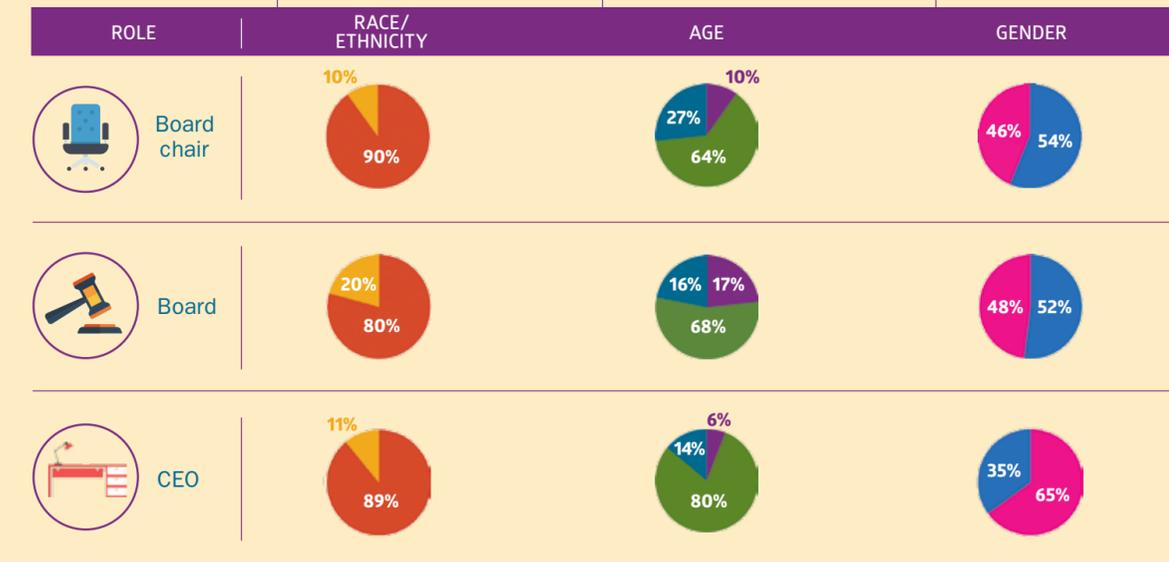
■ Dissatisfied ■ Satisfied ■ not important ■ important



Satisfaction with diversity is lowest for race/ethnicity yet seen as most important to mission.

### Board composition

■ White ■ People of Color ■ <40 ■ 40-64 ■ 65+ ■ Male ■ Female



How do you cultivate an inclusive board?

*“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

## Board members need to step up and speak out more.

Board members are essential to successful community outreach, advocacy, and fundraising, and they have more work to do. 87% of participating organizations engage in fundraising, and it remains a perennial challenge for nonprofit

boards. 60% of chief executives identified 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.

22%	Have a formal, written public policy/advocacy agenda
18% to a great extent 27% to some extent	Received info/resources on advocacy activities for the organization
13% to a great extent 24% to some extent	Monitored impact of public policy on mission delivery and resources

**First Steps for Engaging the Board in Advocacy**

In response to shifts in government funding and public policy, savvy nonprofits are broadening the definition of outreach and making advocacy an explicit priority.

- Have a conversation with the board about key public policies that impact the organization’s work.
- Incorporate the board’s role in advocacy into board job description and expectations.
- Tap board members to help open doors and make the case to decision-makers.

## Board fundraising remains a challenge.

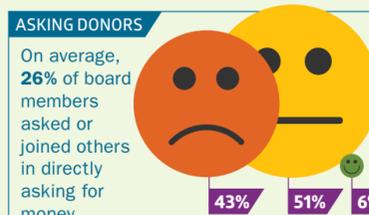
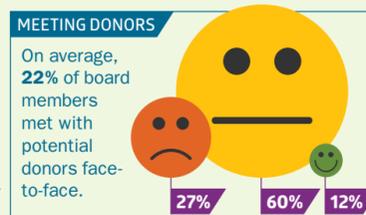
The old adage of “give, get, or get off” still resonates. Board members have improved at giving. In 1994, CEOs reported that 60% of their board members gave. In 2014, they reported 85% board giving,

though only 60% of nonprofits had 100% board giving. Getting remains a challenge, perhaps because of unclear expectations and board member discomfort. 76% of board chairs agree (21%

strongly agree and 55% agree) that fundraising expectations related to giving and getting are clearly explained during recruitment.

### Board participation in fundraising

☹ Not Comfortable ☺ Comfortable 😊 Very Comfortable



*“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

What do you expect from your board members as ambassadors?

## Best-in-class boards do their homework on 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.

Together, dynamic duos of board chairs and chief executives spent a combined total of four days per month on board work. Chairs spent an average of **14.5 hours** and chief executives spent an average of per month on board work.

### Role clarity ■ CEO responses ■ Board chair responses

**69**  
percent of chairs feel board members are well informed of their governance responsibilities

understanding the board's roles and responsibilities

**B-**  
establishes clear expectations of board service

**81**  
percent of organizations with written board member job descriptions

What extra-credit work can and should your board do to become best-in-class?

Sharing leadership is a delicate balancing act. Understanding, defining, and adhering to the respective roles of the board and chief executive in nonprofit governance is no small feat. And, it looks different depending on where you sit. **65%** of board chairs, compared to **42%** of CEOs, strongly agree that the CEO involves the board in leading the organization.

### Board culture

**36**  
percent of CEOs feel that, to a great extent, board members are prepared for meetings

**28**  
percent of board chairs strongly agree that all board members participate in discussions

**19**  
percent of CEOs strongly agree that the majority of board members are engaged

**41**  
percent of CEOs strongly agree that the board openly discusses and challenges their recommendations

### Board development

**21**  
percent of board chairs strongly agree that orientation is effective

**12**  
percent of CEOs strongly agree that they have an effective board officer succession process

**51**  
percent of boards have conducted a formal, written board self-assessment in the past three years

Board chair report card		
<input checked="" type="checkbox"/> A	<input checked="" type="checkbox"/> B	<input checked="" type="checkbox"/> C
42%	33%	19%
33%	33%	25%
34%	29%	25%
23%	34%	27%

- My board chair...
- fosters an environment that builds trust.
  - is able to resolve conflict, build consensus, and reach compromise.
  - encourages board members to frame and discuss strategic questions.
  - establishes clear expectations of board service.

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FULL, DETAILED **LEADING WITH INTENT** REPORTS  
WILL BE AVAILABLE BEGINNING IN LATE 2014.

### **Methodology**

In 2014, the eighth iteration of BoardSource's national survey of nonprofit board practices was sent to members, clients who recently used our services, and people who visited our website. 850 chief executives and 246 board chairs completed the survey. Of the chief executives, 37% represented small organizations with annual operating budgets less than \$1 million, 49% represented medium organizations with budgets between \$1 million and \$9.9 million, and 14% represented large organizations with budgets of \$10 million or more. Respondents represent a wide spectrum of the nonprofit sector, including public charities, associations, and foundations.

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