

Board Performance: Where Do We Stand?

by Suzanne M. Kearney, Executive Director

BoardSource has published its Nonprofit Governance 2007 Index with survey results from over 1000 Board Members and 1100 Chief Executives who completed separate questionnaires. The results show that, while many nonprofit organizations have put the critical components of good governance in place, there is much room for improvement. Highlights of the report are presented below. Compare your own Board evaluation results with the survey results.

Overall Ratings

Overall both Chief Executives and Board Members give themselves good marks on understanding the mission of their organizations and providing legal and financial oversight. They get lower grades on such crucial aspects of board service as fundraising, board composition and diversity, strategic planning and direction setting, and community relations. The most pressing issues facing nonprofit organizations were by far **financial sustainability, fundraising and strategy**. Not surprising!

Fundraising

Fundraising ranked first as an area needing improvement by boards. Fundraising challenges include expanding advancement efforts, starting capital campaigns, building endowments and overcoming fundraising inertia. Survey results show that:

- 46% of charities have 100% participation in board giving.
- Boards average 74% participation in giving.
- 68% of charities require Board Members to make a personal financial contribution
- Fundraising ranks #1 among areas of board performance needing improvement.

Board members gave themselves a C+ in fundraising while chief executives gave them a C. Ouch, that hurts.

Financial Oversight

Survey results show that Board Members feel that they provide strong financial oversight for their organizations. This is reflected in board composition: 89% of the boards surveyed include members with business management skills, 85% with accounting and finance skills, and 64% with investment skills.

Survey results indicate that:

- 92% have an external financial audit annually.

- 54% have an audit committee.
- 28% have separate finance and audit committees.
- 94% agree that the board actively monitors the organization's financial performance.
- 92% agree that the financial reports are understandable, accurate and timely.
- 55% give the boards a grade A for financial oversight.

While Board Members feel they are doing all the right things in providing financial oversight, they are anxious about this responsibility. There is an unpredictability in many nonprofit organizations around utilization of services provided and funding sources that involves a nerve-racking element of risk.

Board Composition

The survey results on board demographics show that:

- 86% of Board Members are White, 7% Black/African American, 3% Hispanic/Latino, 2% Asian and 2% other.
- 57% are male.
- 85% are 30-64 years of age with 13% 65+.
- 54% are either self-employed or working for for-profit organizations while 20% work for nonprofits and 13% are retired.

Many boards struggle to achieve a board constituency that reflects that of those they serve. As budget size increases, the percentage of Black/African Americans increases and the percentage of females declines.

Average board size is 16 voting members while boards of 15-22 members report better governance practices.

Board Chairs make a serious commitment to the organizations they lead, especially in terms of time and fundraising. They report spending twice as much time on board work as other Board Members (20 vs. 10 hours per month) and are more prepared to make fundraising connections (82% vs. 70%) and significant financial contributions (93% vs. 87%).

Board recruitment and orientation are areas requiring significant improvement.

- 80% of Board Members say mission fit is their top

motivation for joining; personal connection, invitation from a friend or colleague, organization need for specific professional skills and reputation of the organization also play a role.

- 74% of boards have a structured orientation for new members.
- 52% of boards have conducted a formal, written evaluation of their own performance.
- 93% of Board Members are interested in additional governance training and information.
- 94% of Board Members, knowing what they know now, would still agree to serve.

Competent Board Members are made, not born. Finding the right people may not be easy, but once they are on board, they need to be oriented, engaged and evaluated. Boards do not understand their roles very well: Chief Executives give them a C+ and Board Members give themselves a B. The good news is they want training!

- Boards meet an average of 6.9 times per year
- An average board meeting lasts 3.3 hours
- 48% of boards have an annual retreat
- Boards have an average of 5.4 committees
- 78% of boards have written committee charters

Most common committees are executive, finance, governance, fundraising, audit, program and marketing. 27% of organizations, mostly large boards, have an advisory council. These councils come in all sizes and shapes. Some advisory councils are sources of additional advice, expertise and knowledge for the board on strategic issues. Others provide support for fundraising activities or raise the organization's visibility.

Comments

There is some small comfort to find that many of our sponsored ministry Boards fit the average profile of those surveyed. The growth areas also strike a common chord.

The current, pressing challenge for each Board is twofold:

1. identifying and achieving a ministry-specific strategic direction that is achievable and distinguishes the ministry in its market, and
2. strengthening the ministry's financial position for long-

term viability.

Both require ongoing Board attention and need to be reflected in how the Board uses its time both between and during board meetings.

What effect would it have on the sponsored ministries if each Board focused on these two key elements: direction setting and multi-year financial planning for the next two years? There would be a dramatic, positive difference.

Help is available! Please call to discuss your needs and ways that we can respond. The present and future are challenging. We need to be prepared

Resource: Nonprofit Governance Index 2007, BoardSource.

Testing

Can you as a Board Member/Chief Executive articulate in a few sentences the strategic direction/focus of your ministry? Does your Board monitor the ministry's progress toward achieving its purposes regularly? What measures/benchmarks are used to track performance?

Does your Board use financial forecasting effectively or do you operate on a year-to-year basis? Do you have a multi-year plan for advancement that is implemented and monitored regularly? For staff salaries? For tuition/fees/rent?