The Board Member Perspective on Best Practice in Nonprofit Governance

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Abstract

The governance of private nonprofit organizations requires a high level of competence on the part of social administrators and their volunteer boards of directors. To this end, the governance relationship between the volunteer "board" and executive management needs to be well defined and structured. Yet, to date, research has not produced a "best practice" model. Business leaders and other professionals serving as volunteers on nonprofit boards as well as those hired as executive directors need the guidance that such research could provide. This online survey of 193 nonprofit board members seeks to clarify "the board perspective" on best practice in nonprofit governance.

Introduction

The governance of private nonprofit organizations continues to present major challenges to business and other professional leaders. The 2012 closing of Hull House, the venerable Chicago Settlement House that is so integral to U.S. social welfare history, provides shocking testimony to this fact. Because of their dependence on donations and grants, much of the literature on nonprofits focuses on fundraising (see, for example, Klein, 2011; Hall, 2010; Weinstein, 2009, Marx & Carter, 2008; Carter & Marx, 2007; Schwinn, 2007; Panas, 2006; Karsh & Fox, 2006, Browning, 2005; Geever, 2004; Gitlin & Lyons, 2004; Yuen & Terao, 2003; Barber, 2002; Newman, 2002; Pettey, 2002; Robinson, 2002; Young, Wyman, & Swaigen, 2002; Klein & Roth, 2001; Pettey, 2001; Smith, McLean & Coles, 2001). Adequate and sustained fundraising is the lifeblood of the nonprofit world.

Fundraising, as evidenced in the financial collapse of Hull House, is dependent on the successful completion of several other governance responsibilities however: effective board member recruitment and orientation, the setting of a clear mission and vision for the nonprofit organization, establishing long-term objectives, program planning, and ongoing evaluation (Moyers, 2012). All of this requires a high level of competence on the part of social administrators and their volunteer boards of directors. To this end, the governance relationship between the volunteer "board" and executive management needs to be well defined and structured (Marx & Davis, 2012). Too often individuals, who are often highly trained and successful in their respective disciplines, volunteer for service on the board of their favorite local charity without any knowledge of "who is supposed to do what" or skills in "serving on a board." The result can be inefficiency, frustration, and turnover for board members – or worse, failure for the organization (West, 2012).

Yet, to date, research has not produced a "best practice" model. Recent empirical studies have been limited by small sample sizes (Bradshaw, 2009; Iecovich & Bar-Mor, 2007; Gibelman, 2004), narrow study populations (Brown & Guo, 2009; Du Bois, Caers, Jegers, De Cooman, De Gieter, & Pepermans, 2009; Kreutzer, 2009; von Schnurbein, 2009), or unclear conclusions regarding the precise roles of board members in relation to executive directors (BoardSource, 2007; Iecovich, 2005; Nobbie & Brudney, 2003). There are several contemporary models that have been offered in theory, if not in practice, to guide nonprofit board leaders (see Bradshaw, 2009; Linnel, Radosevich, & Spack, 2002; Carver, 1997).

One such model is the "policy governance model" (Bradshaw, 2009; Carver, 1997; Carver & Carver, 1997). In this model, the board establishes and regularly reviews the mission, vision, and values of the organization, while delegating specific management roles and responsibilities to a hired executive director. This chief administrator is then held accountable for achieving organizational outcomes (in a legal, ethical, and prudent manner) through the board's monitoring of overall agency performance. In short, the board focuses on "policy governance" and does not involve itself in the details of agency management. The relationship between the executive director and individual board members is seen as collegial and not hierarchical –even though this executive is accountable to the board as a whole. In any case, though, their working relationship is well differentiated. (Carver & Carver, 1997, p. 12) In so doing, the policy governance model promises to minimize the role confusion that too often takes place between nonprofit board members and executive directors. Better clarity regarding board verses executive responsibilities, it is hypothesized, will contribute to more effective and efficient leadership and management of nonprofit organizations.

What is more, the policy governance model's focus on accountability through outcome measurement would seem to make it a perfect fit with the "accountability movement" which increasingly demands that public and nonprofit agencies prove the effectiveness of funded social programs through regular, formal evaluation of program outcomes (i.e., intended benefits or results of programs), and not just, program processes and outputs (i.e., units of service). The accountability movement (some even use the term "accountability crisis") is reflected in the increased emphasis on "performance measurement" by nonprofit organizations in general and on "evidence-based practice" in the health and human services specifically (Carlson, Kelley, & Smith, 2010; LeRoux & Wright, 2010; Carman, 2009).

Given the rationale underlying the policy governance model and the demand for increased nonprofit performance and accountability by funders and the general public, to what extent do nonprofit boards of directors feel they practice the "policy governance" model (John Carver and Miriam Mayhew Carver, 1997). This research question was explored through a survey of nonprofit board members, a study that was conducted in collaboration with the N.H. Center for Nonprofits, the United Way of the Greater Seacoast, and the N.H. Department of Justice. This study of nonprofit board members was done as a parallel study of a similar survey of nonprofit executive directors (see Marx & Davis, 2012) in an effort to get "the board perspective" on best practice in nonprofit governance.

Methodology

Data Collection

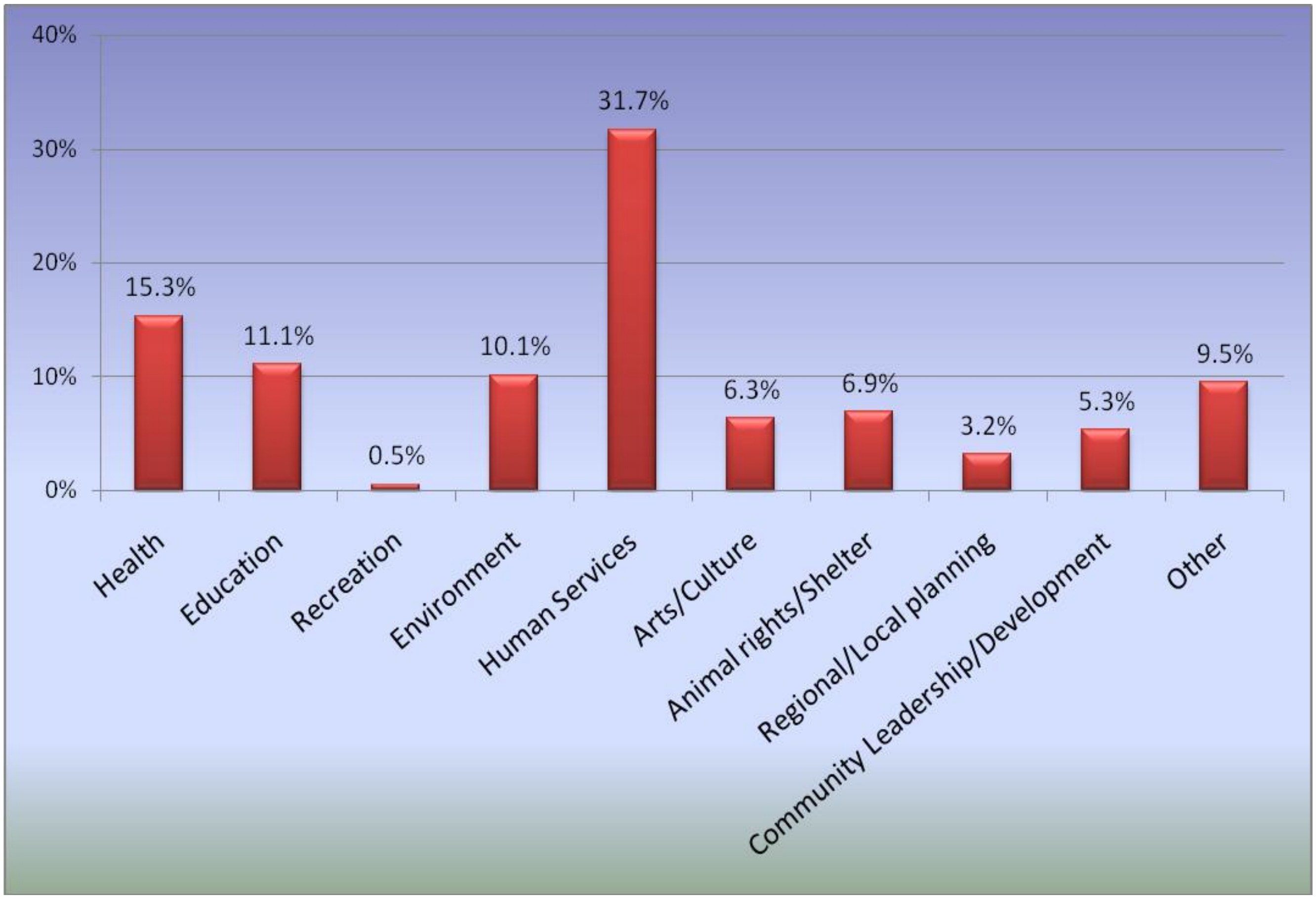
A self-administered questionnaire was employed to obtain information from 193 nonprofit board members in the study. To reach these board members, the executive directors on the e-mail list of the New Hampshire Center for Nonprofits were contacted in 2009 and asked to forward an invitation to their board members to complete the online questionnaire. In addition, the New Hampshire Center for Nonprofits posted the links on its website and in its e-newsletter. Participants were asked to complete one questionnaire via Survey Monkey, after which the data were transferred to an SPSS dataset for analysis. Note that because of the various distribution methods, the exact number of board members who viewed the invitation to participate in this survey could not be determined. Consequently, a response rate could not be calculated. In addition, some questions instructed participants to "check all that apply" resulting in the sum total equaling more than 100%.

Study Findings

Study Population

Human services (31.7%, n=60), health (15.3%, n=29), and education (11.1%, n=21) were the largest categories of nonprofit organizations (n=189) in this study. (see Figure 1).

Figure 1 – What primary field is your organization in?



In addition, the median budget size as reported by board members is a relatively small $685,000, based on range of $10,000 to $5.5 million. Nearly all board members (98%) reported that their organization has a mission statement and approximately three quarters (74%) have a written strategic plan, though fewer have a vision statement (62%).

Board Development

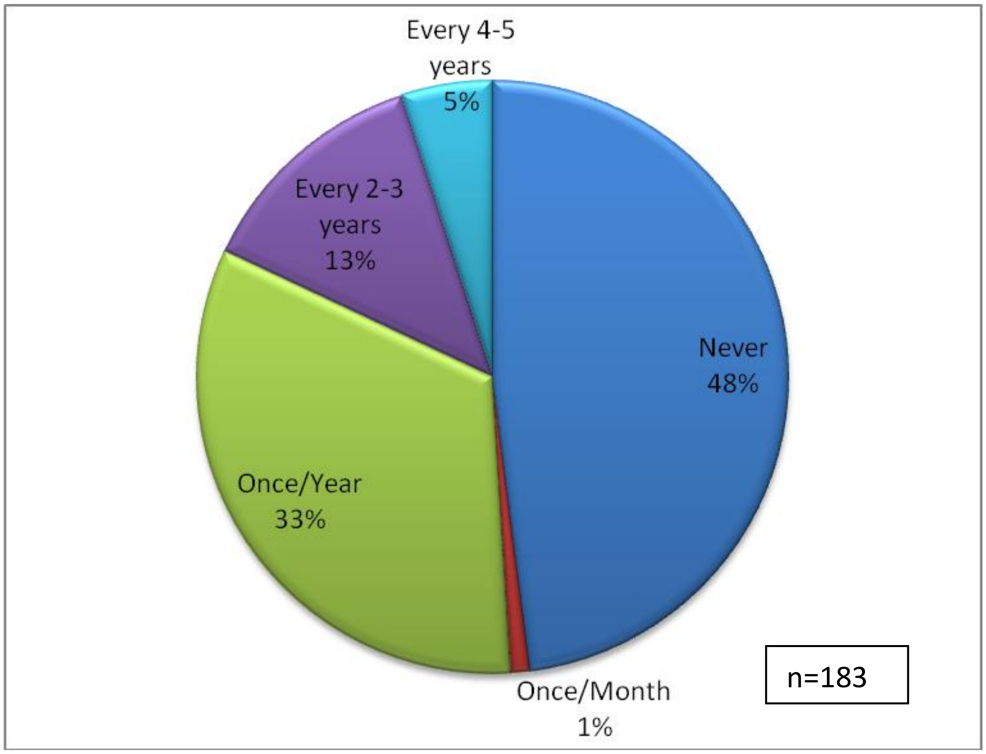
Participants were asked a series of questions to assess recruitment procedures, the various parties within the organization involved in recruiting, the considerations that factor into an individual's decision to join an organization's board, as well as how the board evaluates its performance.

Many respondents (25.3%, n=47) indicated that their organization employs specific procedures to recruit diverse board members, such as personally inviting a specific candidate to meet with the board and tour the facilities, charting board member attributes in order to set specific diversity goals for recruitment, and utilizing personal connections to identify diverse candidates. When asked "How important is a diverse board to the effective overall performance of the board," 35.2% (n=68) of respondents indicated that is "important," and 24.9% (n=48) stated that it is "extremely important."

More than half of all respondents (59.2%, n=113) stated that their organization has a structured, in-person orientation for new board members. When asked to rate those involved in board orientation on a scale from 1="no involvement" to 4= "high involvement," participants indicated that the executive director (M=3.36, n=193) is most involved in this process compared to other members of the organization: board president (M=2.99, n=193), governance/nominating committee (M=2.46, n=193), and "other board members" (M=2.33, n=193).

Evaluation of board performance varied considerably according to this sample of board members (see Figure 2). More than half of the board members surveyed indicated that evaluations are conducted. One third of participants (33.3% n=61) stated that this evaluation of board performance is completed annually. However, almost half of respondents (48.1%, n=88) stated that they "never" conduct a formal, written evaluation of board performance.

Figure 2 - How often does your board have a formal, written evaluation?



The majority of respondents (53.1%, n= 51) indicated that the board as a whole is solely responsible for conducting these performance evaluations, while 21.9% (n=21) stated that the board enlists the help of an outside facilitator.

Board Structure and Performance

Participating board members in this study were asked specific questions about the format and planning of their board meetings as well as the responsibilities of individuals and sub-committees. Questions specific to fundraising were included to assess the degree to which board members are involved in a variety of fundraising activities.

Results were split as to who is primarily responsible for setting the agenda for board meetings; 43.9% (n=82) of board members stated that the board president is responsible, while 42.8% (n=80) indicated the executive director is responsible. An additional 6.4% (n=12) of board members reported that the board president and executive director work jointly to create board meeting agendas.

In order to evaluate the roles and responsibilities of board members and executive directors, board survey participants were asked to rate the level of involvement of each group in a series of tasks (on a scale of 1 to 7). These questionnaire items examined the extent to which various responsibilities were exclusive to board members, exclusive to the executive director, and those which were equally shared among both. The results show (Table 1) that board members generally believe that many tasks are equally shared among them and the executive director.

Table 1 – To what extent does the board and/or executive director do the following

Tasks	Mean (n=187)
Promote an understanding of organization's mission	4.43
Promote an understanding of Board's roles and responsibilities	3.76
Ensure proper financial oversight	3.95
Ensure legal and ethical oversight	3.98
Conduct fundraising	4.39
Conduct strategic planning	3.93
Monitor organizational performance outcomes	4.44
Recruit and orient new Board members	3.74

(Scale: 1=Exclusively Board, 4=Equally Shared, 7=Exclusively Executive Director)

Nearly all participants (98.9%, n=185) stated that board members serve on their organization's board sub-committees. Board respondents also indicated that their executive directors (72.2%, n=135), staff members (54.5%, n=102), and former board members (42.8%, n=80) serve on sub-committees. Furthermore, nearly one quarter of respondents (24.1%, n=45) stated that client/consumer representatives participate in board sub-committees.

In addition to the responsibilities listed above, many board members play an active role in fundraising. 85.2% (n=161) of board members attend fundraising events and over three quarters of them (77.8%, n=147) make a personal financial contribution to the organization. A small minority of just over 7% (n=14) of respondents indicated that nothing is expected of board members in terms of fundraising.

Executive Director Performance Evaluation

The majority of board members (79.7%, n=145) reported that their board conducts an annual formal written evaluation of the executive director. For those who reported doing such an evaluation, 55.6% (n=84) reported that the full board participates. To a smaller extent, some board members reported that staff members participate (13.9%, n=21), while 8.6% (n=13) reported that they don't know who participates in the executive director evaluation. Based on these evaluations, board members were asked to rate the extent to which the executive director is held accountable for overall organizational outcomes, such as achieving the agency's mission, goals, and objectives (Figure 6). Nearly 90% of board members report that their executive director is either "fully" or "substantially" accountable for organizational outcomes, while only 12% responded "somewhat" accountable and 2% stated "very little" or "not at all."

A more broad range of responses was found when board members were asked the extent to which formal program evaluation results are used in the evaluation of the executive director. Though approximately one-third of board members reported that program outcomes are either "fully" or "substantially" used in the executive director evaluation (36%, n=62), nearly the same proportion stated that they are used "very little" or "not at all" (35%, n=59).

Finally, board members were asked if they would be interested in additional governance training and information and over half said "yes" (51.1%, n=97). Participants provided a wide range of potential topics for further training, including: board roles and responsibilities, board evaluation tools/techniques, "how to get along," current best practices in board governance, and recruitment of new board members.

Discussion

The results of this survey of close to 200 nonprofit board directors of nonprofit agencies in New Hampshire indicates that most do not adhere closely to the policy governance model (as defined by Carver & Carver, 1997). The study's findings suggest that nonprofit organizations in this survey exhibited a shared responsibility on the part of the board and executive director for major governance responsibilities.

That is, in New Hampshire, the board and executive director, according to board members, tended to share responsibilities relatively equally for such tasks as promoting an understanding of the organization's mission and board roles/ responsibilities; ensuring proper legal, financial, and ethical oversight; conducting strategic planning; fundraising, and recruiting and orienting new board members. Although the monitoring of organizational performance outcomes was also shared, nonprofit boards of directors in this sample tended to rely more on the executive director in carrying out these responsibilities than others.

The argument could be made that the policy governance model does not necessarily preclude the "sharing" of governance responsibilities. After all, the chief executive and board are a "leadership team." (Carver & Carver, 1997, p. 12) However, one thing is clear: if nonprofit board members are to live up to their oversight responsibilities to the public and funders, then any board adhering to the policy governance model needs to be rigorous in its agency performance measurement. Yet, almost half of respondents (48.1%, n=88) stated that they "never" conduct a formal, written evaluation of board performance. Board performance is certainly a component of overall agency performance measurement.

What is more, about 9 out of 10 board members report that their executive director is either "fully" or "substantially" accountable for organizational outcomes. This is consistent with the tenets of the policy governance model as previously described. However, program evaluation results do not appear to be utilized by most nonprofit boards in the evaluation of executive performance. That is, about one-third of board members reported that program outcomes are either "fully" or "substantially" used in the executive director evaluation (36%, n=62), but a little over a third used program evaluations results "very little" or "not at all" (35%, n=59).

This finding is important because a major rationale for program development in nonprofit organizations is to promote the mission, vision, and long-term objectives of the organization. In short, programs are a primary "means" for nonprofit organizations to achieve organizational "ends" (i.e., outcomes). Thus, a strong argument can be made (if there is any argument at all) that program evaluation results need to be a significant input into overall agency performance evaluation. If the policy governance model maintains that the executive director is to be held accountable for agency outcomes, and program evaluation is a part of overall agency performance measurement, then one would expect that any nonprofit board following the policy governance model would consider program evaluations results in the evaluation of the executive director. Most do not in this study.

Implications for Best Practice

The "accountability movement, " which will only intensify with the financial collapse of Hull House, requires that nonprofit organizations actively engage in formal evaluation activities such as performance measurement including outcome measurement. Nonprofits organizations have historically employed such performance measurements as customer/client satisfaction surveys, service output statistics (total number of counseling hours provided), service unit costs, and external financial audits to show accountability to the community and funders. Yet, clearly agency performance measurement needs to improve.

Adoption of the "policy governance model" with its emphasis on agency outcomes would seem conducive to meeting public accountability demands. But whatever the model, nonprofit governance accountability through performance measurement is here to stay. The results of this survey are consistent with our survey of nonprofit executives (Marx & Davis, 2012) and with the findings of earlier authors with respect to the use of outcome measurement in governance. While many nonprofit organizations are conducting outcome measurement (through program evaluation, etc.), it is questionable whether such information is being fully utilized in governance activities (LeRoux & Wright, 2010; Thomson, 2010).

There are several ways that this performance gap might be bridged. Funders, board, and executives need to provide adequate resources (funding, time, expertise) for regular, formal, and rigorous agency performance evaluation. Social administrators may argue that this is unrealistic in the current poor economy, but the case of Hull House suggests that the accountability efforts of nonprofit boards need to extend beyond traditional financial audits and executive evaluations.

Second, grantmakers and other funders need to keep performance evaluation expectations significant, but not overly complex, redundant, or conflicting. Such expectations can be counterproductive to the goal of accountability.

Third, the demise of Hull House testifies to the fact that the training of volunteer nonprofit board members needs to catch up to that of social administrators, who have often been trained in research methods, statistics, and program evaluation. Since there is some empirical evidence that having a paid chief executive is negatively associated with board involvement in program monitoring (Ostrower & Stone, 2009), board trainings by United Way, consultants, and others should include program evaluation so that board members are equipped to meet their oversight responsibilities. And board volunteers looking to enhance their own professional skills may favor the opportunity. Over half the board participants in this survey were interested in further governance training.

Once trained, nonprofit board members need to require, as a matter of policy, that formal evaluation practices that include outcome measurement be implemented by the board itself. This should include governance responsibilities involving strategic planning, agency performance measurement, executive evaluations, and board self-assessments.

Finally, the challenges of measuring success in the nonprofit world where "success" is often improved individual or community well-being should be taken into consideration by boards when evaluating executive performance. This might increase the use of formal program evaluation and outcome measurement in cases where executives are reluctant to provide program evaluation data for use by boards in annual executive performance evaluations. However, a consideration of such evaluation challenges should not absolve or excuse either board members or executives from failing to perform and utilize outcome measurement to facilitate agency transparency and accountability. The case of Hull House will unfortunately serve as a lesson for some time to come in this regard.

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