

## Becoming a More Effective Nonprofit Board

Board performance is widely recognized as a critical ingredient in a nonprofit organization's ability to achieve impact. But what does effective board performance look like? And how can nonprofit boards become more effective?

In conjunction with the Edna McConnell Clark Foundation, a Bridgespan team recently sought answers to these questions. We reviewed the extensive body of literature on nonprofit governance and interviewed nearly two dozen practitioners, consultants, and analysts—all to understand the drivers of better performance. What emerged were some common themes that highlight the key areas on which a board must have clarity in order to improve its effectiveness:

1. The regulatory bar on board performance is going up, throwing an increasingly bright spotlight on the board's oversight responsibilities.
2. Oversight is necessary but not sufficient to define the work of an effective board. Leadership activities—providing strategic support and expertise, raising funds, building community support—that further the organization's goals are also essential. Which of these activities the board should focus on, and what the right level of their involvement is, will vary depending on the organization's specific priorities.
3. How the board does its work—i.e., its people, culture, decision-making processes, and structures—is as important as what it does. Clarity about what the organization is trying to accomplish helps answer questions about how to choose the “right” approaches.
4. Understanding the areas a board needs to strengthen is relatively straightforward; actually improving performance is quite challenging. Shared clarity around the role of the board in helping the organization create social change is the single most important factor in closing the gap.

### Oversight is absolutely necessary in the world of Sarbanes-Oxley

Basic oversight responsibilities do not typically inspire much excitement—that is, until something goes wrong. Not surprisingly, therefore, interest in the fiduciary responsibilities of board governance has burgeoned in the wake of recent high profile scandals and heightened regulation.

The key elements of these responsibilities are summarized below. (For additional detail on each of these areas, see the sidebar, “More Effective Boards: A Detailed Guide.”)

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**Financial and legal oversight:** These are the board's most basic fiduciary activities. Key financial activities include approving financial plans, monitoring financial health, and ensuring appropriate financial controls. Key legal activities include ensuring independent audits, managing key risks, and ensuring that all legal requirements are met. Each element should be regularly reviewed by a lawyer or an auditor to ensure that the board is complying with all the relevant laws and regulations.

**Executive director and board oversight:** Oversight of the executive director and of the board itself is a second basic responsibility. Key executive director oversight activities include reviewing performance, setting compensation, and ensuring an orderly succession. For oversight of the board itself, critical undertakings include conducting an annual board review process (measured against its goals and priorities), as well as ensuring that key processes for recruiting, orienting, developing, and exiting board members function effectively and efficiently.

**Adherence to mission:** The board and organizational leadership should share a common understanding of the mission and refer to the mission when making strategic and financial decisions.

Many boards will be able to take a “checklist” approach to ensuring that they are meeting these minimum oversight requirements, particularly if their organization has recently been through a satisfactory audit and/or legal review. Even so, additional decisions and contingency plans must be discussed. Ask any board member who has uncovered improper financials, for example, and you will immediately hear war stories about which financial statements should be reviewed, by whom, how often, and who was/was not accountable for action when there was a problem. Similarly, any board member who has had to work with an underperforming executive director will recognize the necessity of investing time and effort in contingency planning to determine who will be responsible for helping the executive director improve if there are problems, and what appropriate remedial actions will be.

### **Oversight is necessary but not sufficient to create an effective board**

Satisfying basic oversight functions is the threshold for acceptable board performance. In fact, many boards find it burdensome simply to execute on the minimum requirements. But “doing the minimum” is not sufficient to create an effective board. The board must also consider contributing actively to the organization's success in three primary ways:

**Strategic support and expertise:** Effective boards provide support to help the organization align its programs to its mission and strategy. The effective board understands how the organization creates social impact; ensures that there are clear indicators for tracking progress and that action is taken when the organization is not on track; participates appropriately in business planning;

and provides operational support to the senior team as needed. Contributions of expertise (legal, marketing, etc.) can be extremely valuable as in-kind services. In organizations with high-functioning boards, the board will likely help frame decisions as well, determining which issues should be addressed, and why, especially with respect to new opportunities or challenges.

**Fundraising:** Many effective boards play a large role in fundraising, whether they contribute substantially themselves, solicit from others, or help staff establish a solid fundraising plan. Each board needs clarity on how much money must be raised, where it is going to come from, exactly how each board member is expected to contribute, and how the board can help ensure that funding targets are met.

**Community support:** Members of effective boards are able to provide access to their network of relationships. An effective board thoroughly understands and represents the organization's key constituents, and perhaps opens lines of communication directly with other stakeholders to get an unfiltered perspective on the organization. The board also promotes the public image of the organization among key partners and the community, acting as ambassadors for the organization.

At any given time, the needs of the organization will determine which of these leadership activities should be the board's chief priority. For example, a nonprofit undertaking a crucial capital campaign will want to ensure that most or all of its board members are contributing financially or in some other meaningful way to that campaign. An organization undertaking a grassroots advocacy campaign will also need all hands on deck, but in this case, the key to success might be activating every board member's network to get the word out.

Again, the right level of board involvement in each of the above activities will depend largely on the organization's needs. But while the division of key activities between board and staff will vary by organization, every effective board must ensure that these key activities are being handled by someone.

### **Beyond “what” to do, “how” the board does its work is equally important**

Understanding the specific activities a board must undertake is important. But boards can get overly-focused on what to do and pay insufficient attention to the processes and relationships required for effective board functioning. Our research highlighted five factors that enable effective board leadership:

**People:** Effective boards ensure that board members' skills and assignments are aligned with both the organization's needs and the members' own interests. This sounds easy, but in practice, it requires a deep understanding of what the organization needs from its board, and what each member can (and wants to) provide given his or her skills and interests. It also encompasses the

thorny questions of how to fill gaps when the board needs different people, how to recruit them, and how to exit board members appropriately when that becomes the right thing to do.

**Culture:** The culture of effective boards allows for meaningful participation among its members. For example, meetings are characterized by open debate and questioning, and an atmosphere of mutual trust and respect among the members. Board members enjoy their interactions with one another and the organization, as demonstrated by high levels of participation and meeting attendance.

**Decision-making processes:** The board and executive director have a shared view of the board's involvement in the decision making process and which decisions it should make. Board-level decisions are also clearly distinguished from areas where the board can expect to have input into an executive director's decision, or where it will only be informed about decisions (perhaps even after the fact). The agenda of each board meeting clearly reflects the agreed-on decision-making process.

**Structures and information:** The structures and policies of an effective board (for example, the size of the board, the relative representation of constituencies, committee structure, meeting frequency and schedule, executive sessions, term limits, and so on) allow for meaningful participation by board members. Effective boards also receive a timely flow of information, in an appropriate level of detail. As with decision-making, the executive director and board need shared clarity about what information is pertinent for the board to be able to fulfill its role. Effective boards can exhibit a variety of structures; the key is to ensure that the structures enable the board to fulfill its stated role, as defined by the board and organization.

## Towards more effective boards

How can a board become more effective? The first step is to understand the gap between where the board is now and where it wants to be. A checklist or set of interviews can help determine the gaps in board performance and identify where there is disagreement and consensus among board members. Many tools covering different aspects of board performance are available for this purpose (including those published by BoardSource, Independent Sector, and McKinsey & Company).

As useful as checklists and tools can be, however, they get a board only so far. Board members, leaders, and consultants all report that the tools in isolation are insufficient to help boards make difficult transitions in their own organizations. Organizations can get too wrapped up in the tool (which is relatively easy to execute) and neglect the real dialogue (which is quite hard).

Data that surveys provide is quite valuable. But what is also required is an open, productive conversation among board members: about what the board's role should be, how the board is doing, and what the most important priorities for improvement are.

In other words, when the survey is complete, the process of finding shared clarity is just beginning. Translating survey results into specific priorities, and building consensus around an action plan to implement them, is challenging work. What is most valuable is not the particular tool or method that a board employs, but the dialogue among the board and the organization's leadership about where and how the board should support the organization's mission and plan.

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