

Daring to **Lead** 2011

A National Study of
Nonprofit Executive
Leadership

BRIEF 3

The Board Paradox

KEY FINDINGS

While executive directors tended to give boards relatively high marks when asked about overall performance, their responses to more specific questions often contradicted that assessment—and suggest that boards are neglecting critical governance responsibilities.

Despite these board performance challenges, most executive directors are not spending a significant percentage of their time working with and supporting their boards.

Executive directors who spend more time working with their boards demonstrate higher satisfaction with board performance.

Rick Moyers, Meyer Foundation

The relationship with the board of directors is a critical aspect of the professional life of every executive director. While boards are responsible for policy and financial oversight, they can't carry out those responsibilities in isolation—boards need information, support, and guidance from the executive director to help focus their attention and do their work. Partnering effectively with the board can be a significant amount of work for executive directors, who are stretched thin across many other responsibilities. And the board also functions collectively as the executive director's supervisor—adding yet another dimension to a complicated and sometimes contradictory partnership.

Daring to Lead 2006 reported that lackluster board performance was a significant contributor to executive director burnout and attrition. To explore the board-executive partnership in more depth, the survey for *Daring to Lead 2011* included new questions about board member engagement, the executive director's relationship with the board chair, and the amount of time executive directors spend supporting and working with the board.

The results echo and illuminate findings from the previous *Daring to Lead* studies.

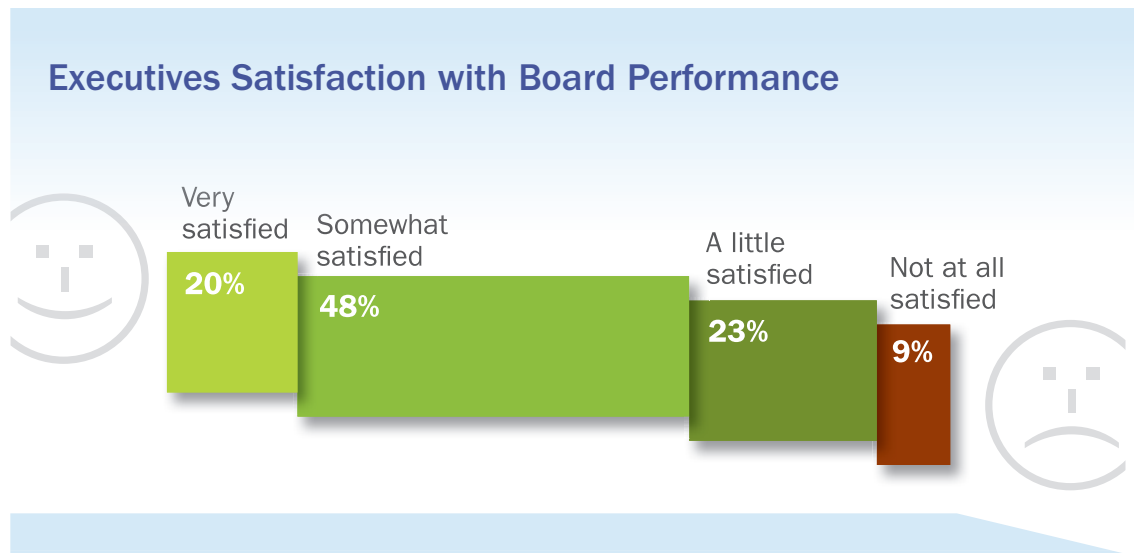
Daring to Lead is a joint project of CompassPoint and the Meyer Foundation. This is the third brief in the *Daring to Lead 2011* series. To see all reports and findings from the *Daring to Lead* national research project, visit: www.daringtolead.org.

“It’s a real partnership with my current chair. A lot of chairs don’t do that; they just run the meeting while you sort of sit there. I have had a lot of chairs in 17 years, but I have never had this kind of energy and it has helped me so much.”

When asked about their boards’ performance, executive directors tended to respond positively. More than two-thirds (68%) were at least somewhat satisfied with their boards’ performance, and of those nearly 20% were very satisfied. The remaining respondents—nearly a third—were either very unsatisfied or only a little satisfied. Among all respondents, the largest number (48%) were only somewhat satisfied with board performance.

Other positive responses included the percentage of executives who felt they could be honest with their boards in sharing their mistakes (89%), and the number who believed that an ideal successor to their current board chair was already in place on the board (75%).

Most respondents felt positive about their partnership with their board chair. A majority (52%) described the relationship as functional, and a large number (38%) described the relationship as exceptional. Only a small minority (9%) reported a dysfunctional relationship.



Despite executives’ many positive impressions of their boards, the survey results also revealed significant shortcomings in board performance. For example:

- Forty-five percent (45%) of survey respondents said they hadn’t had a performance review within the past 12 months—a noteworthy finding, since reviewing the executive director’s performance is one of the most basic core responsibilities of a functioning nonprofit board.
- Even among the majority of executives who did have a review within the past year, only about a third (32%) said it was either somewhat useful or very useful, with the remaining two thirds reporting that it was only a little useful (53%) or not useful at all (15%).

The survey asked executive directors to respond to the following question: *Does anyone on your current board of directors provide a significant amount of effort to support the organization in any of the following areas?* A majority of executive directors answered yes in only three of seven areas.

Nearly three-quarters (73%) of respondents reported strong support from board members in the area of financial oversight. While this number is high (and the highest reported for any area), it does not necessarily suggest increased financial sustainability. As noted in the main *Daring to Lead 2011* report and in the companion recession brief, focus group participants pointed out that financial oversight activities, such as approving the budget and reviewing the audit, don't necessarily require board members to have a deep understanding of the organization's business model and financial drivers. Without that understanding, boards are unlikely to be able to help their organizations chart a path to sustainability—despite being actively engaged in financial monitoring and oversight.

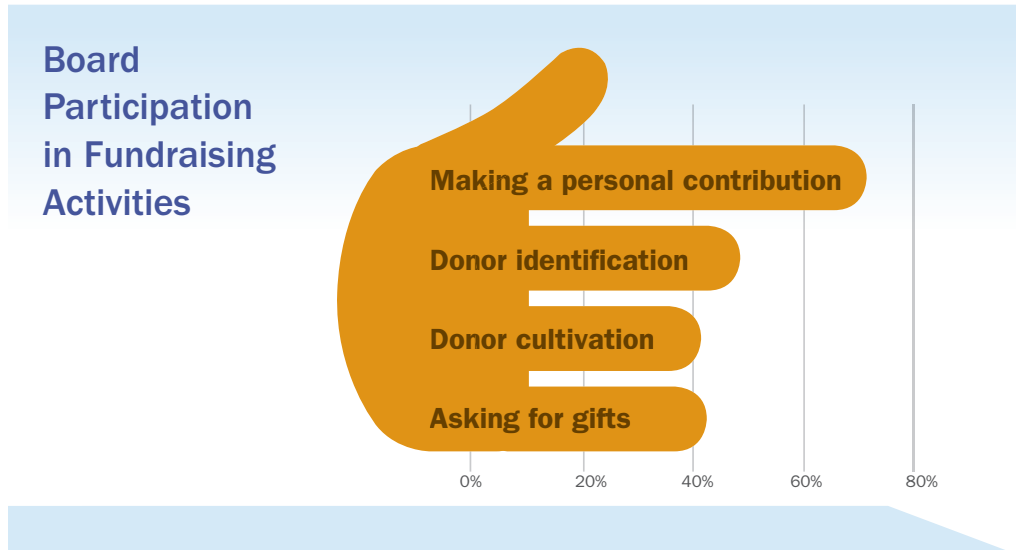
Percentage of Executives Reporting Significant Board Support by Area



In 2006, executive directors identified fundraising by an overwhelming margin as the area in which their organizations needed improved board performance. The finding was so striking that one of the goals for this follow-up study was to better understand what executives perceived as board deficiencies in this area. Because fundraising is not a single activity, and because board involvement in fundraising is primarily an individual rather than a collective responsibility, this study included a series of questions about individual board member engagement in fundraising.

When asked about board member engagement in specific fundraising activities, executives reported even lower participation rates than in other areas of board responsibility, with the exception of board members making a personal contribution (71%). Fewer than half of respondents reported strong board member participation in donor identification and prospecting (48%), asking for gifts (42%), and donor cultivation (41%)—activities frequently cited as areas in which board member participation is critical. The fact that less than half of executives report board member

participation in those areas highlights a possible disconnect between the traditional view of the board's role in fundraising and the day-to-day realities experienced by executives working in partnership with boards.



Overall, the survey results leave a mixed impression. While significant numbers of board members are supporting organizations in a variety of ways, a majority of executives report strong board participation in only a handful of areas.

Despite these board performance challenges, most executive directors are not devoting a significant percentage of their time to working with and supporting the board. The majority of respondents (56%) reported spending 10 hours or less per month on board-related activities. Ten hours may sound significant, but translates to just six percent of a full-time executive director's time. Only about 17% of respondents reported spending 20% or more of their time on the board.

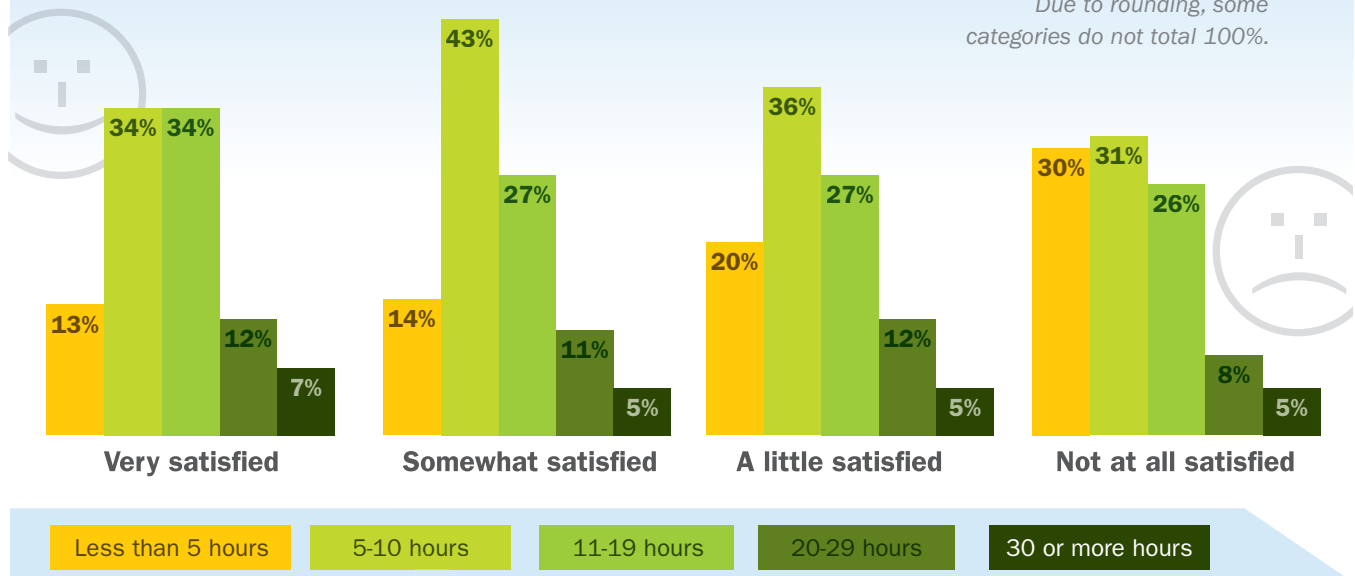
More than a third of respondents (36%) said they needed to spend more time on the board. However, with the exception of program, a large percentage of respondents acknowledged that they needed to spend more time in every area about which they were asked. And the percentage of executive directors who said they should be spending more time on the board was much lower (each by at least 10 percentage points) than those who thought they should be spending more time on marketing, fundraising, networking, and public policy.

Since respondents did not characterize working with their boards as depleting or frustrating (in fact, more than 70% said they found working with the board energizing), it's not clear why more executives don't feel they should be investing more time in their boards. Perhaps executives fail to see the immediate benefit of spending more time on the board, since the activities on which the largest number of respondents said they needed to spend more time—marketing and fundraising—produce tangible results.

"I don't think I ask my board to do enough. And I think I'm happy when they just support what I pitch to them and show their trust and say, "Yay, team. You're doing a great job. See you in three months."

Hours per Month on Board Work and Satisfaction with Board Performance

Due to rounding, some categories do not total 100%.



“I think one of the biggest problems for nonprofits is that we are so reliant on volunteers to do a lot of things that they don’t actually know how to do. Despite our best efforts and their best intentions, I think it’s fundamentally unrealistic to expect board members to do all we expect of them when they have busy lives of their own. So I think part of the challenge is being realistic about what they can do and what they can’t do.”

Although this study does not examine relative return on investment when executives spend additional time on a range of activities, it does offer evidence of a significant benefit when executives invest more time in strengthening the board. For example, there is a strong positive correlation between time spent supporting the board and executive directors’ satisfaction with board performance.

Among executive directors who spend 10 hours or less per month on board-related matters, only 17% said they were very satisfied with the board’s performance. Of those who spent more than 10 hours per month working with the board, 23%—nearly a quarter—were very satisfied with board performance. This correlation is evident throughout the survey results. For example, executives who spend more than 10 hours per month working with the board were more likely to have had a performance evaluation within the past 12 months, and were much more likely to report that the evaluation was very useful.

These findings highlight the paradoxical nature of the relationship between the executive director and the board. For overextended executive directors who are frustrated with weak board performance, investing even more time working

“I think the most challenging thing for me is to utilize board members well—use them in a way that keeps them connected to the organization. Not to overuse them. So it’s really about knowing them as individuals and how some people are willing to give more time.”

with the board may not seem worthwhile. Focus groups for this and previous *Daring to Lead* studies offered evidence that some executive directors do view their boards as a necessary nuisance, are skeptical of boards’ ability to add value, and therefore put forth the minimum required effort to help the board function. However, the results of this survey suggest that time invested by executive directors in supporting and working with the board contributes to improved board performance and increased board member engagement.

Calls to Action

1

Invest Time in the Board

The findings in this study suggest that a significant number of executives are spending too little of their time supporting and working with their boards of directors—and that executives who invest more time in the board are more satisfied with board performance. Executives should:

- Recognize their own essential role in helping to improve the performance of the board.
- Invest time, in partnership with the board, in identifying and cultivating new board members.
- Build their own financial management skills, and provide information and context to help the board better fulfill its role in both financial oversight and ensuring financial sustainability.

2

Implement Board Practices Widely Recognized as Effective

As noted elsewhere in this study, despite decades of research and a growing body of literature about effective practices for nonprofit boards, many boards are not fulfilling their most basic responsibilities or taking even simple measures to improve their performance. Some basic steps all boards should take include:

- Creating a job description or list of responsibilities for the board as a whole, and recruiting board members who have the skill sets needed to help the board fulfill those responsibilities.
- Creating a statement of expectations for individual board members, and conducting an annual or periodic assessment to determine whether board members are meeting those expectations.
- Conducting an annual performance review of the executive director.
- Conducting periodic training for board members on how to read the organization's audit and financial reports.
- Engaging in financial or business planning to better understand the organization's financial sustainability.

3

Develop New Strategies for Strengthening Boards

Beyond changing the behavior of executive directors and boards, other stakeholders—including funders and organizations that work in capacity-building—have roles to play in advancing knowledge about board effectiveness and improving the performance of boards. These include:

- Developing improved systems for placing and training board members that can address the huge, ongoing demand for skilled and engaged board members.
- For funders, increasing the attention paid to boards and becoming more explicit in their expectations around effective governance—along with increasing the funding available to help organizations strengthen their boards.

***Daring to Lead 2011* has multiple components:**

- *Daring to Lead 2011: A National Study of Nonprofit Executive Leadership*
- Three topical briefs: *Leading Through a Recession*, *Inside the Executive Director Job*, and *The Board Paradox*
- The interactive *Daring to Lead* website (daringtolead.org), where you will find report downloads, additional data and findings, downloadable charts and graphs, community comments, research methodology, and information about the project team and regional partners.

Please visit daringtolead.org frequently to hear what sector leaders are saying about the findings and to engage in the ongoing dialogue about their implications for nonprofit executives and boards, philanthropy, and capacity builders.

Note on terminology: We use the term executive and leader interchangeably in this report to mean both Executive Director and CEO.

For reference purposes, please use the following citation:
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All charts are available to download at daringtolead.org.

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