

Assessing the Performance of Nonprofit Boards
And Individual Board Members

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Abstract

Over one million active nonprofits operate in the United States today, and it is estimated that 30,000 additional nonprofits will form every year. These organizations add greatly to the quality of life we collectively enjoy today – community service is the hallmark of a great society.

These organizations often operate under the direction of a board of directors. Are these boards the same as the boards of “for profit” companies? Is the performance of these boards assessed?

The volunteers that serve as board members are clearly dedicated members of society. What are their key responsibilities? What risks do they take in serving the greater good? Should their performance be evaluated?

These are all questions worthy of review. In this paper, the topics of performance assessment and accountability are reviewed. More importantly, surveys and interviews in the Jackson, Mississippi area were conducted that allowed the comparison of theory to actual practice. The findings indicate that good practice and actual practice differ. The “gap” between the ideal and reality is quantified. The paper concludes with recommendations for assisting the charities in their mission by providing a path to improved assessment and accountability.

Assessing the Performance of Nonprofit Boards and Individual Board Members

General Background

Before describing the duties, structure, and evaluation of a nonprofit board of directors, one must understand the basic definition of a board. A board of directors is a body of people who are assigned the duty to supervise a corporation. All boards share this basic definition, but “for profit” and “nonprofit” boards do have a few differences. For example, a difference does exist in terms of to whom boards are accountable. In a for-profit corporation, the board of directors is accountable to the stockholders or owners, but in a nonprofit corporation, the board of directors is accountable to the stakeholders. The chief stakeholder of a nonprofit board is the community in which a nonprofit operates (McNamara, 23). This difference may result in differences in the perceptions of board member roles. As the number of nonprofit organizations continues to expand, it becomes critical that the true dimensions of the roles and duties of board members are carefully explored and clarified.

There are over one million active nonprofit organizations in the United States today. Also, an estimated 30,000 new nonprofits form every year (Johnston, 1). The number of people who are needed to serve on boards and who already serve on boards is great. Therefore, the need to understand a board member’s roles, duties, and personal liability is profound. With over a million nonprofits, the range of mission, structure, scale, and consequence is very large. The board for Millsaps College and the Jackson Municipal Airport Authority, for example, are very different from the boards of a local “soup kitchen” or March of Dimes chapter. It would take an extended analysis to attempt to assess tools for performance that encompass the entire range. This paper will attempt an assessment of

the nonprofit sector normally described as charities. These are organizations that raise funds to accomplish a specific social purpose. The missions range from feeding the poor to providing safe, affordable recreation; from funding medical research to educating people on nutrition. The common element is a better society.

Forming a Board of Directors

In most charities, the boards of directors vary in membership aspects. Some board members are members of the constituency that the organization serves. Others are high-profile members of the community who help the organization gain media coverage, bring specialized expertise, and contribute money. According to Alice Gore King in *How to Create an Effective Board*, a board must consider the following criteria in evaluating a nominee for board membership:

- (1) Qualification – Is the nominee interested in the organization’s programs? Also, is the individual competent in specific areas and in the organization’s business? Will the nominee add diversity to the board of directors?
- (2) Properly Motivated – Does the nominee want to be on the board for personal reasons, such as gaining prestige or adding the board membership to a resume, or is it simply a desire to serve the community?
- (3) Dependable – Will this board member attend all meetings and fundraising events?

Bill Brown with Brown Bottling Group is very active in nonprofit boards. Mr. Brown is past president of Easter Seals in the local area. He also cautions board members to look at the nominee’s willingness to work with a group when selecting new board members. A part of serving on a board includes teamwork – board members must be able to “give and take” and be able to recognize that not all of their ideas will be adopted. These factors and others impact the decision to extend an invitation for board membership. But do these

individuals really understand the scope of the duties and liabilities associated with the acceptance of a board seat?

Liabilities Associated With Board Membership

Although the Sarbanes-Oxley Act currently addresses only public companies, many nonprofit organizations and regulators think that the act will eventually impact nonprofit organizations as well. Because nonprofit groups depend on the approval of the public, some nonprofits have already observed the auditor independence provision. Other provisions of the act that experts believe nonprofit organizations should adopt include:

- (1) Disclosing whether or not a financial expert sits on the audit committee.
- (2) Allowing the audit committee to appoint external auditors.
- (3) Signing management representation letters.

Paul Breazele, a partner with Breazele, Saunders, and O’Neil, a Jackson based CPA firm, believes that nonprofits will begin complying with the rotation of auditors provision of the Sarbanes-Oxley Act. He also thinks that nonprofits will begin to reform internal controls. Most of these provisions will add relatively low costs to nonprofit organizations, but they will provide greater assurance to the citizens who volunteer and contribute to that organization (Thornton, 3). But if too many provisions of Sarbanes-Oxley are ported to the nonprofit world, will the expenses and potential increases in board member liability impose a burden too great for many charities? A key question to be answered in this report is “Do board members of nonprofits truly perceive liability and risk?”

The Charity Board of Directors – A “Real Board”?

Do individuals accepting nonprofit board seats really feel accountable and expect to be measured on their performance? Do they perceive it is a real board assignment (i.e., “the

duty to supervise a corporation”); or do they simply feel their assignment is a community service? Do they perceive personal risk for liability based on their actions? Does true personal risk exist for “lack of action” in the form of duty of care? Does failure to attend constitute negligence?

Purpose of the Report

Through primary and secondary research, this paper is designed to provide answers to several key questions:

- Do charity boards operate in the same fashion as their “for profit” counterparts?
- Should charity boards perform board assessments? If so, what are the criteria?
- Do local charities perform such assessments?
- What are the duties and responsibilities of the board members?
- Should the performance of the individual members be assessed? Do the local charities perform such assessments?
- Do board members perceive the board roles to be equivalent to “for profit” board assignments?

Key Findings from Secondary Sources

Carter McNamara lists the key responsibilities of a board member in the *Field Guide to Developing and Operating Your Nonprofit Board of Directors*:

1. Determining and maintaining the nonprofit’s mission and purpose
2. Selecting and evaluating the Chief Executive Officer
3. Ensuring organizational effectiveness and adequate resources – including developing a budget
4. Supervising the organization’s programs and services
5. Evaluating its own performance

In addition to the responsibilities listed, board members also have ethical responsibilities. Some of these ethical responsibilities include attending all board meetings, ensuring adequate insurance coverage, having an employment law expert assess personnel policies, maintaining a thorough record keeping system in board minutes, and conducting yearly audits of financial statements (McNamara, 30).

In a comparable summary, Fishman and Schwarz cite in their book, Nonprofit Organizations, six principal functions that all boards serve:

- (1) to select, cooperate with, and evaluate the chief executive officer.
- (2) to review and adopt long-term strategic direction and to approve specific objectives.
- (3) to ensure that the necessary resources will be available to pursue objectives.
- (4) to monitor the performance of management.
- (5) to ensure that the organization operates responsibly and effectively.
-Attachment A provides a depiction suggesting the separation of responsibilities between the board and staff.
- (6) to carry out effective governance, including board performance evaluation.

Also mentioned are some external factors, which are unique to nonprofits, including fundraising, representing the organization to the community, and mobilizing the volunteers (Fishman, Schwarz, 146). According to Jo Anne Johnson in *Should You Join a Nonprofit Board*, one of the major responsibilities of a board member is to understand nonprofit (fund) accounting. Without a proper understanding of the nonprofit's accounting, efficiently supervising a nonprofit's operations would be difficult.

A nonprofit group can find numerous sources that contain clear descriptions of board duties. The works cited section of this report provides a variety of sources for consideration.

Liability Does Exist for Charity Board Members

Nonprofit board members can be held personally liable for their organization's actions if they breach their legal duties. The legal duties of nonprofit board members include fiduciary duties such as due diligence and avoiding conflicts of interests. Directors are expected to show care and skill when performing their job. Attending board meetings, showing a thorough understanding about the organization's business, and participating when making organizational decisions are all components of due care. Board members with expertise in areas such as law or accounting are held to a higher standard of care. Due diligence also encompasses avoiding risks with the corporation's funds and operating in accordance with the business judgment rule. A board of directors for a nonprofit organization would be more likely to invest funds in treasury bonds or low risk mutual funds, not high-risk investments (Mulcov, 2).

Conflicts of interest arise when directors put their personal interests ahead of the nonprofit group's interests. Two examples of conflicts of interests are (1) using the organization's membership list for personal business and (2) taking a friend out to dinner and then charging the organization's expense account (Mucalov, 2).

Nonprofit Organizations, provides information and cases involving breach of fiduciary duty by nonprofit organizations. Very few cases are actually reported. When they are uncovered, either through an investigation by a state attorney general or by other means, the matter is usually settled very quickly. Obviously, any negative perception of a nonprofit can be devastating, even if the issues are resolved. Fishman and Schwarz state

that breach of duty occurs frequently in the nonprofit world. It may be helpful to illustrate this point with an example:

“The President of a University is paid \$837,113. His salary package includes an option to purchase a university-owned luxury apartment, a rent-free president’s home on campus, and an \$82,000 Mercedes. Most members of the board are uninformed of the President’s compensation until they read about it in the New York Times” (Fishman and Schwarz, 154).

Failure of the board to become knowledgeable of the chief executive’s compensation is a breach of the duty of care. The board did not conduct its responsibilities with the necessary diligence and informed decision-making that is required.

“When individuals believe their actions will be neither sanctioned nor rewarded, they’re likely to act in their greatest self-interest” (Klusman, 40). One way to get personal accountability from board members is to motivate them with an appropriate incentive, especially since increased accountability reduces the likelihood of recruiting talented people with busy schedules. James E. Klusman, in his article, *Bringing Personal Accountability on Board*, suggests three things to do to increase personal accountability without discouraging board members: expression, evaluation, and responsibility. From the start, give board members a clear understanding of what is expected of them. A statement of expectations or a signed agreement can help relay the message, but it’s extremely important to handle these carefully and respectfully. Next, he suggests that organizations should make sure board members receive feedback on their performance because sometimes simply the knowledge that performance is being monitored can change behavior. Also, Klusman suggests revealing to the board members their attendance record. Carefully holding the board members responsible for their performance can also enhance personal accountability. Good communication among all board members, including

outside the board meetings, is another way to increase expectations of accountability (Klusman, 41).

In the *Field Guide to Developing and Operating Your Nonprofit Board of Directors*, McNamara notes that fiduciary responsibility basically means that... “the member should show active participation and reasonable judgment in participation of the board’s governance of the nonprofit, and do so in accordance with laws and regulations and with plans and policies of the nonprofit. Board members can meet their legal duties by: actively participating in all board matters, monitoring the organization’s performance toward goals, ensuring all legal requirements are being met, and representing the organization in a good manner” (McNamara, 29).

Fiduciary principles in the law of nonprofit organizations have been applied with neither consistency nor coherence. Courts have used different standards in determining the duty of care expected (Fishman and Schwarz, 154). Board members can breach the duty of care in a number of ways. An example follows:

“A university’s insurance coverage is given to the firm of one of the trustees, who never discloses to the remainder of the board the fee arrangement or terms of coverage, and implies it was free. The trustee used her position to unfair advantage in obtaining the account” (Fishman and Schwarz, 154).

In this example, the board member was guilty of a conflict of interest or a breach of duty of loyalty. She improperly used her position to obtain a benefit for herself at the expense of the organization (Fishman and Schwarz, 154).

Evaluation of the CEO is a Key Responsibility

One of the principle functions of the board is to evaluate the chief executive officer. This may be an aspect of nonprofit board membership that most people do not think of as a

key membership duty. “When nonprofit directors have little personal accountability, activities other than governance of the organization may get more of their attention, particularly when those other activities have either built-in rewards or penalizing sanctions (e.g., self-dealing, conflict of interest, re-granting, or lobbying) (Klusman, 40). Attachment B offers a sample guide for evaluating the chief executive officer.

If some of the board members find themselves wondering whether the executive director is performing satisfactorily or not, then it is the responsibility of the board members to ensure that the organization has the right CEO. In rare occasions, such as in instances of embezzlement or unethical behavior, all board members usually agree that the executive director should be fired. More often, though, the board members over time get indications that the director is either not doing the job or is causing problems for the organization. Many times, complaints about the executive director are noted “off the record”, therefore, nothing happens to address and correct the problem. This could cause board members to simply resign rather than to remain involved with reservations about the organization. Such actions would not reduce liability.

A better solution would be to establish a special committee to work more closely with the executive director in a supervisory oversight capacity. By having this special committee disclosing the executive the level of dissatisfaction to the executive and documenting the actions taken to correct the noted issues, the board can better deter lawsuits against the agency. If the board ultimately decides that the executive director should leave the organization, it may choose to request resignation from the executive director rather than firing him or her. Resignation or termination and other related issues should be listed in the minutes. The board should also develop a straightforward

explanation, which can be communicated to the staff, volunteers, funders, and others in the community.

Measuring Performance of a Nonprofit Board

While it is not uncommon for a for-profit board to divest itself of unprofitable activities, a nonprofit board must stay on course if it is to remain true to its mission. In most cases, it is much easier to measure the effectiveness of a profit-seeking firm than it is for a nonprofit. Although it may be somewhat difficult to assess the performance of a board and its members, it can be done. Charity board performance can be enhanced by regular assessment of board activities. The assessment process can help members to better understand their role and encourage fulfillment of responsibilities. Attachment F is a schedule which may be beneficial for helping the board keep track of its performance evaluation process and suggests intervals. Assessment can be as simple as ending the meetings with questions that serve to refocus the board on the important issues and strategies. A useful strategy suggested by Nonprofits.org is to conclude board meetings by asking members to rate the meeting on an index card based on the following questions:

“(1) Were the issues covered today significant? (2) Did the materials you received prior to the meeting adequately prepare you to participate in the discussion? (3) Did the board conduct matters of management or policy? (3) Overall, was the meeting worth your time?”

The feedback from these responses, if used by the board chair and executive director, can improve the value of the board meetings. Nonprofit.org also suggests an annual board assessment in which each board member has the opportunity to evaluate the board’s overall effectiveness at accomplishing goals. Results can then be shared at a subsequent meeting, and appropriate follow-up can be determined. A simple chart shows a suitable ranking system reflecting the level of accomplishment:

1	Effective Board performance at this meeting
2	Adequate Board performance at this meeting
3	Inadequate performance -suggest improvement
U	Uncertain / No Comment

Activities for evaluation can be grouped into the following suggested categories:

Knowledge of board financial, legal and public responsibilities
Representation to the public by the board
Understanding and communication of the organization's mission
Organization's compliance with legal regulations, licensing and other standards
Effectiveness of board practice: Bylaws, committees, procedures
Approval of outside counsel (legal, accounting, managerial)
Relationship with the Executive Director
Hiring, evaluating, managing, and compensating the Executive Director
Strategic planning
Policy development and approval
Oversight of organizational financial structure and activity, including income, expenses, borrowing, insurance coverage, audits, bank relations, fund-raising, and other financial procedures
Board performance: meeting attendance, discussion participation
Board succession and nomination process
New board member orientation

Board evaluation often requires little effort, but it can reveal a substantial amount of useful information about the quality of the board. Board members and executives from within the organization, as well as stakeholders outside of the organization, should evaluate the performance of the board of directors. “For boards that conduct monthly board meetings, an evaluation two to four times per year may be enough, depending on the size of the group and the length of meetings” (Elliott, 98). Some questions Carter McNamara suggests asking include:

1. Do board members plainly comprehend their roles and responsibilities?
2. Does the board receive regular reports on performance and other important matters?
3. Are board meetings effective?

4. Does the board effectively represent a commitment to the community in which it serves?
5. Does the board help set fundraising goals; does it dynamically participate in fundraising events?
6. Does the board regularly evaluate the Chief Executive's performance and compensation?

Other issues that should be included in a board self-evaluation are included in Attachment C. In addition to evaluating these key issues, the board should also evaluate how closely the organization's programs relate to the mission. Board members should look out for issues such as too many programs and too little funding. Another important factor in evaluating board performance is asking each board member to list three to five areas where he or she thinks the board should focus its attention or improve efficiency (McNamara, 12).

Evaluating the Performance of Individual Board Members

Individual board members should be evaluated on their adherence to the roles and responsibilities, ethical responsibilities, and independence of conflicts of interest. The board should look at the member's motivation for serving on the board, commitment to fundraising, attendance, and contributions made to the board and organization as a whole. As will be discovered in the primary research, the system for measuring individual board members is not as clear-cut as the concept of assessing the full board. In the realm of charity boards, many members are deemed as "special purpose" members who serve the board in limited capacities.

In our personal interviews with seasoned charity executives, the subtle concept of "categories" of board members often came up. Carol Burger, the lead executive for the

United Way chapter in the Jackson area, discussed in different terms her forty-member *board* and her fourteen-member *executive committee*. It was clear from her comments that many members of the full board were “special purpose” and their attendance and contributions were viewed to be different. According to Ms. Burger, their main function was to be “Great Ambassadors for United Way”. This limited role stands in stark contrast to her description of the executive committee who work with her on goal setting, strategy, and providing her with a detailed annual evaluation. The duties of the executive committee seemed to follow the description of a standard board. Ms. Burger discussed changing the current structure to a smaller board and an advisory committee. This will be discussed in more detail in the research findings.

Mary Fortune, long-time leader of the Diabetes Foundation of Mississippi, echoed Ms. Burger’s comments about two distinct groupings. She too indicated the expectations for a member of the executive committee differ from a “regular member”. In the case of the Diabetes Foundation of Mississippi, the executive committee handled the executive performance review and strategy formation.

While it may require a highly customized approach, each board should create some type of system for evaluating each board member. If in fact, the “real board” lies within the “named board”, it is possible to have standards for each. This will be discussed in more detail in the research findings. Attachment C can be used by the board and the director to evaluate the effectiveness of the board.

Nonprofit Boards Should Be Evaluated Regularly

The board of a charity can and should operate like a “real board” because it is a “real board”. Adherence to the basic rules of governance, ethics, and accounting coupled with the

application of available assessment tools, will provide board members with a proof of the duty of care. The duties are clear, and the procedures are easy to locate and apply. Do these basic steps get applied in the Jackson, Mississippi “charity” segment? Do the individual members receive assessment? Do they understand their liabilities?

Design of the Primary Research Study

The introduction for this paper and the review of the secondary sources reveal that most “experts” understand the basic requirements for board operation. While the exact word selection may vary, the concepts of: choosing and evaluating the leader, adopting a cohesive vision, ensuring adequate resources, and operating in an ethical fashion are all common elements of the materials reviewed.

In a similar fashion, all sources seem to agree on what constitutes a “good” board member. The frequently mentioned attributes include a willingness to serve (attendance and engagement), “equity involvement” (in the 501(c)(3) model that normally translates to “commitment” to the cause), and skills and/or resources that can be brought to bear on achieving the vision of the organization. In *What Makes Great Boards Great* (Sonnenfeld, 2), the author is quick to point out that the conventional wisdom regarding board structure and composition fails to define a successful board. It is more a matter of how the board members perceive their roles and the way the people work together. According to Sonnenfeld, exemplary boards “are robust, effective social systems” that operate in an open climate, with a fluid portfolio of roles, insisting upon individual accountability, and insistent upon evaluation at both the member and composite board levels.

The purpose of the primary research conducted for this project was to begin to assess if the “best practices” for board composition and operation were observed in the common “charities” serving most communities.

The survey was designed to allow limited stratification:

- By collecting “current position” descriptions, the study design allows for an assessment if perspectives differ by role. The three classifications selected were board member, board leader, and paid executive.
- By creating four organizational size classifications, the survey data permits one to inspect whether adherence to known practices differs from the very small charities (\$100,000 or less in annual budget) to the larger causes (\$1,000,000 or more in annual budget).
- The survey also asked for tenure so that an observation could be made regarding perspective versus experience with the nonprofit world.

A copy of the survey and a sample routing letter are included in Attachment D to this report. The eleven questions contained in the survey are designed to provide information related to four general areas of interest.

Area #1: Why Do Individuals Perceive They Have Been Selected for Board Roles?

The survey offered six reasons for board involvement ranging from management skills and a spirit of community to “constituency representation”. Also included are expertise in the targeted area and the ability to provide directly or attract funding. It is not unusual for charity boards to have “special purpose” directors. How common is the practice? Do they view their roles differently? In a description of a “nonprofit turnaround” this practice and the resulting issues were described.

“In those years, Parmadale’s board - though faithful in meeting attendance and provision of moral support – was unaware of the center’s planning process or day-to-day operations structure, public relations, or fund-raising. The board was composed, for the most part, of people who worked in the areas of social service, education, and the church. Ironically, the few business people who were on the board tried hard to *act* like social workers, educators or clerics” (Mengerink, 37).

This research will record perceived selection reasons in the Jackson, Mississippi area.

Area #2: What Do Board Members Believe Constitutes the Top Duties of the Board?

If a board member could pick only three “top duties” of a board member, what would they be? To attempt to answer this question, survey respondents were given eight “jobs” (and the potential for two “write-ins”) and asked to pick three “top jobs”.

1. Select, appoint, and evaluate the Chief Executive Officer
2. Ensure an appropriate long-term vision
3. Acquire sufficient resources for the organization’s operations
4. Account to the public for the product or services
5. Govern the organization by broad policies and objectives
6. Offer “opinions” as to strategies and possible courses of action
7. Represent the views of a specific constituency
8. Be available to help with financial aid and advice

The selection intentionally varies in direct accountability. A significant commitment difference would be represented by the selection of “acquire sufficient resources” versus “offer opinions”.

Area #3: How Seriously Do “Charity Board” Members Take Their Responsibilities?

A combination of several questions was utilized to create the findings under this section.

The questions associated with this section include:

- Meeting attendance (seldom miss, 50%+, often miss)

- ❑ Estimated number of hours per month spent on this board and the number of other board commitments
- ❑ Perceived liability and attendance risk
- ❑ Desire for feedback

These questions, as a set, were reviewed for consistency and correlation with other areas of interest. As mentioned in the secondary research, the question of growing liability should be a matter of concern to any member who believes he or she is “really” operating as a board member.

Area #4: Are Board Members Evaluated? Should They Be Evaluated?

Statements Four through Six of the survey are designed to determine if performance standards / expectations exist at all, and, if they do exist, are they tracked and reviewed with the individual board members? Also, are all board members created equally? Are “special purpose” members excused from the process? In interviews with local Jackson, Mississippi business leaders, it is not uncommon to discover that certain charity boards are seeking “marques names” and that attendance is not required (... but that annual gift might be!). It was anticipated that organizational size would likely impact the clarity of the goal process.

Acquisition of Survey Respondents

For this research, a decision was made to solicit responses from nonprofits that are nominally considered to be “charities” or “special causes”. The information from these groups will likely differ from more formal nonprofit organizations. While the “charity world” is often looking for people to volunteer for board participation, and nomination processes are often casual, organizations like Millsaps College, the Jackson Municipal

Airport Authority, and the College Board are by invitation only and employ a very detailed review and nomination process. It is suggested that this survey be improved after this pilot program and that the respondent selection process be more tightly defined. For purposes of this initial report, responses were encouraged and accepted from anyone serving on a charity board in the Jackson area.

In total, seventy-nine completed surveys were received. Twenty-two “named” nonprofit organizations offered fifty-seven survey responses. No more than twelve responses were received from any one organization. Twenty-two other responses were returned without indicating the charity affiliation (which was optional).

Figure 1: Responding Organizations

- 100 Black Men
- American Heart Association (local chapter)
- American Red Cross (local chapter)
- AmSouth Foundation
- Arthritis Foundation (Mississippi Chapter)
- Boys and Girls Club of Jackson
- Community Animal Rescue and Adoption
- Community Foundation of the Greater Jackson Area
- Corporate Volunteer Council
- Diabetes Foundation of Mississippi
- Goodwill Industries
- Habitat for Humanity
- Jackson Preparatory School
- Madison Countians Allied Against Poverty (MCAAP)
- Madison County Foundation
- Mississippi Museum of Art
- Mississippi Symphony Orchestra
- National Guard Association
- New Stage Theater
- Susan G. Komen Foundation (local affiliate: MS Steel Magnolias)
- United Way
- YMCA

To add additional detail to the information obtained through survey, interviews were conducted with Sherry Stevens, former president of the Steel Magnolias Affiliate of the Susan G. Komen Foundation; Carol Burger, head of the greater Jackson area United Way, Mary Fortune, Executive Director of the Diabetes Foundation of Mississippi, and several other leaders of charities in the Jackson area. These structured interviews were designed to get a slightly different perspective on the four questions under review, and the results have been inserted as appropriate in the findings section of this paper.

Findings from the Surveys

The seventy-nine respondents, representing at least twenty-two organizations, self-reported to be a very dedicated group of volunteers. 81.0% of the respondents indicated that they seldom miss a meeting and only one respondent reported poor attendance. Fifty-one respondents, or 68%, reported more than three years of service and on average, the board member commits to 4.8 hours per month (Figure 2). Only 19% of the respondents indicated that they did not serve on at least one other board. The average was 2.2 additional boards with 19.2% reporting service on four or more additional boards. It is clear that the individuals taking the time to respond to the survey deeply care about community service.

Figure 2: Average Hours per Month Dedicated to the Charity Under Report

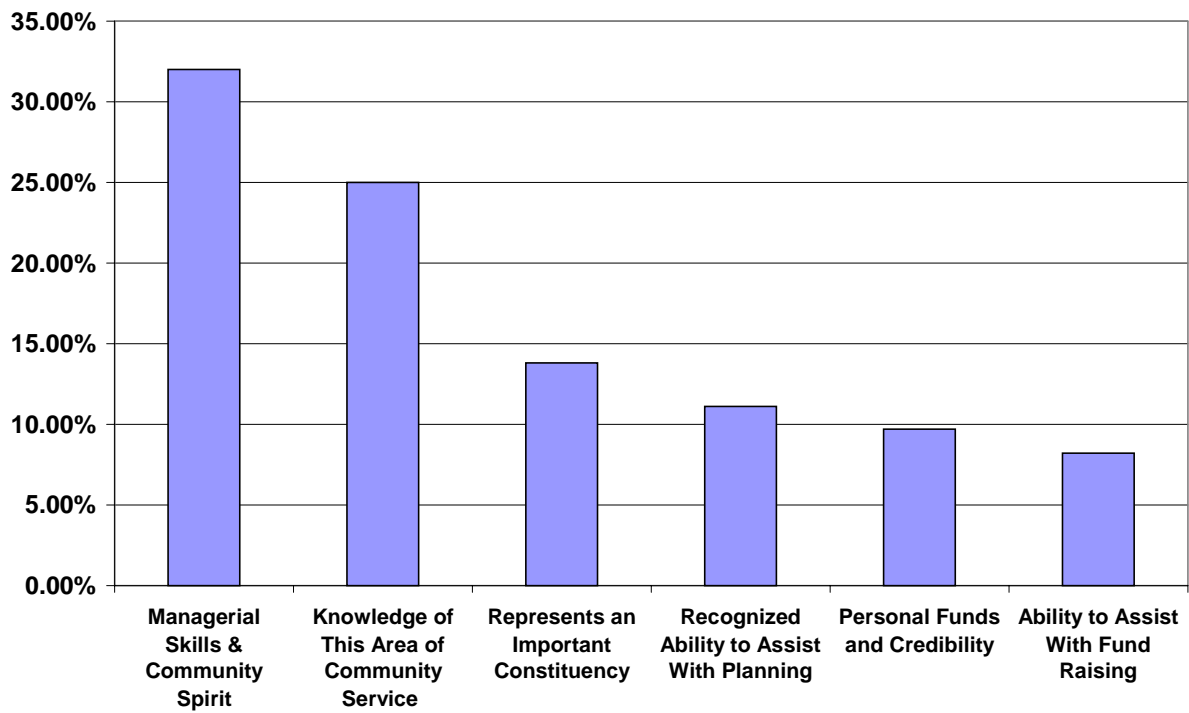
Three hours or less	47.9%
Ten or more hours	12.3%
Most commonly reported time commitment	Two – four hours (50.6%)
Reporting range and average (excluded two responses over 50 hours)	0.5 hours – 20 hours Average = 4.8 hours

Fifty-five of the seventy-nine respondents indicated their position to be a “standard” board member (69.6%); sixteen (27%) reported leadership roles within the board structure, and two reported to be compensated.

Area #1: Why Were These People Selected For Board Service?

According to our survey, the most common reason for selection to board service was managerial skill combined with their community spirit (Figure 3). This reason was followed closely by knowledge in the area of service covered by the charity. Planning skills and constituency representation also received strong mention. Relatively few respondents perceived the dominant reason for selection to be donating or influencing the donation of funds. Some of the organizations interviewed have boards dominated by “constituency groups” since inception.

Figure 3: Top Reason for Board Selection

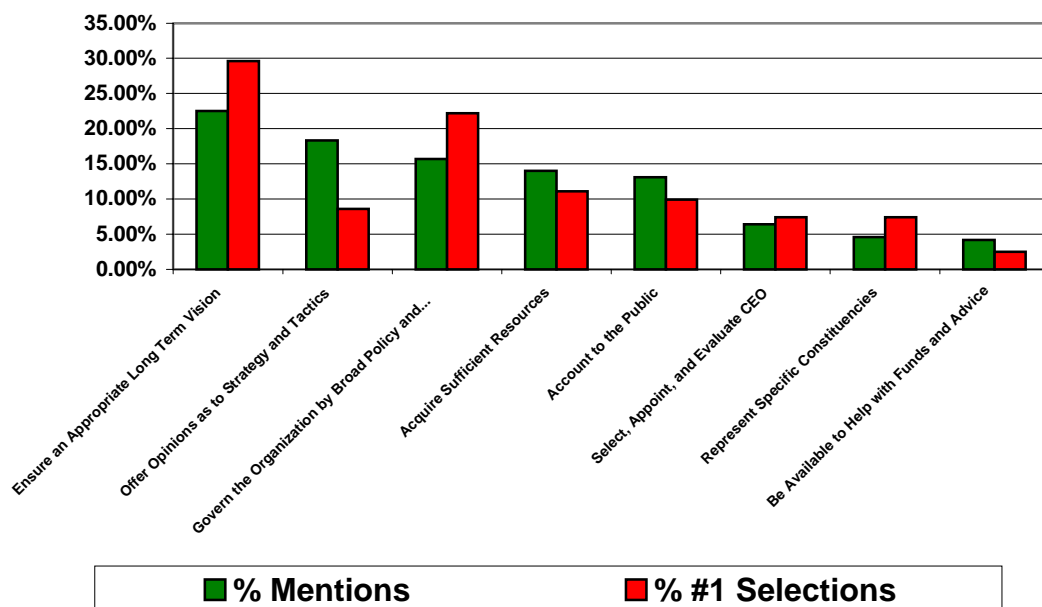


For example, Stewpot Community Service has a board of directors that, in the majority, represent the individual churches that formed the entity. Only four members of the Stewpot board, all staff and ex-officio, are not listed with a specific church affiliation. From the interviews with key leaders in the nonprofit sector, it becomes clear that a passion for the particular service area and/or providing representation for a key contributor (or fundraiser) account for many selections. It has to be recognized that in many cases a board position is “allocated” to a funding / supporting company and the actual board member is designated by the external company. It was gratifying to see the majority of the board members self described as knowledgeable and engaged.

Area #2: What Do the Nonprofit Board Members See as Their Top Duties?

The survey provided six major categories of duties from which the board members could choose the top three duties. Although two spaces were provided for “write-in” selections, only two respondents elected to suggest a top duty outside the presented list.

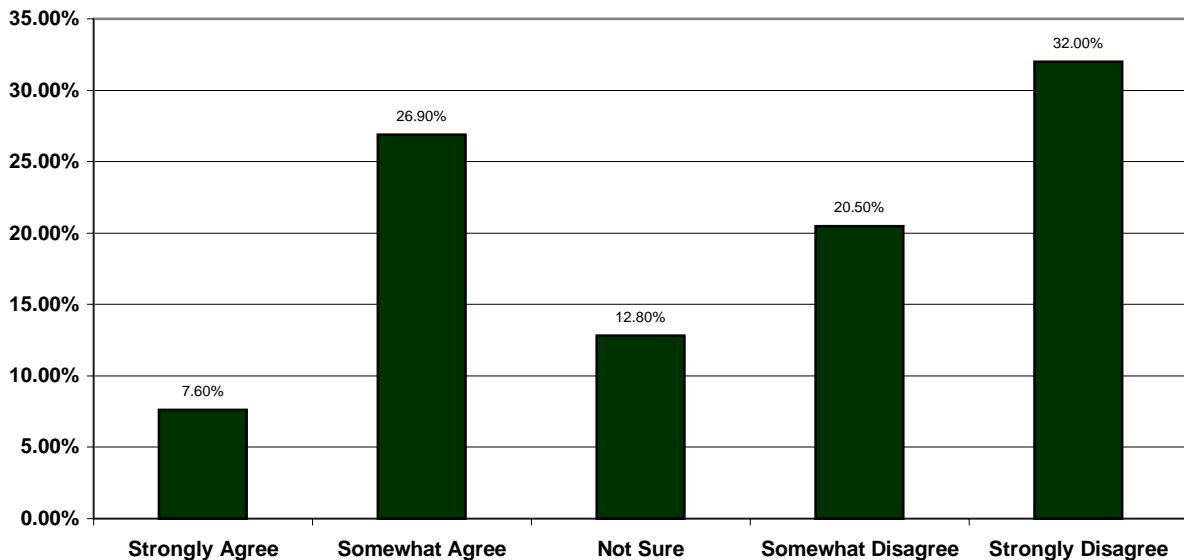
Figure 4: Top Duties for the Board Members



While conventional wisdom is that a board of directors' top duty is to ensure that a capable, motivated CEO is present, the survey of nonprofits seldom rated this task as a top duty. As shown in Figure 4, the “vision categories” dominated the selections, followed by the concept of governing via broad policies and objectives.

The selections seem to indicate a tendency for nonprofit board members to view their assignment as one of advice and counsel. The prime responsibility for execution of the mission (i.e. right leader and sufficient funding) is rated much lower. This confusion regarding the true role is also manifested in the distribution of responses to the statement “The rules of board accountability are not the same for nonprofits as “for-profit” firms” (Figure 5). Not only were the responses spread across the five possible choices, but when a single board with multiple responses was isolated, it showed answers in all five choices – even with only six members reporting!

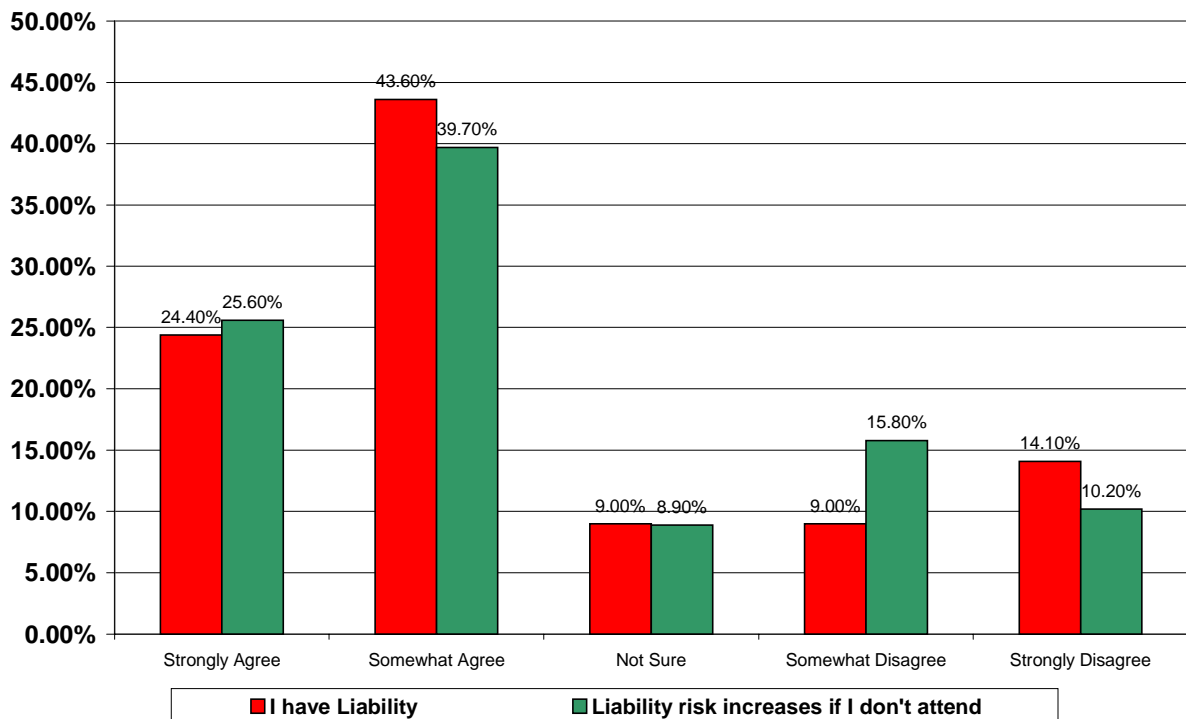
Figure 5: Rules Are NOT the Same for Profits and Nonprofits



With 34.5% agreeing that a “board is NOT a board” (i.e., for profits and nonprofits are to be held to different standards), 52.5% disagreeing, and another 12.8% unsure, consensus is not available. Within the group that self-describes as board leaders, the pattern was nearly identical with 41% agreeing that a “board is NOT a board”, 50% disagreeing and 9% not sure. The ambiguity surrounding the true nature of the “charity board” will appear in all sections of the findings.

Area #3: How Seriously Do “Charity Board” Members Take Their Responsibilities?

Figure 6: Board Member Liability



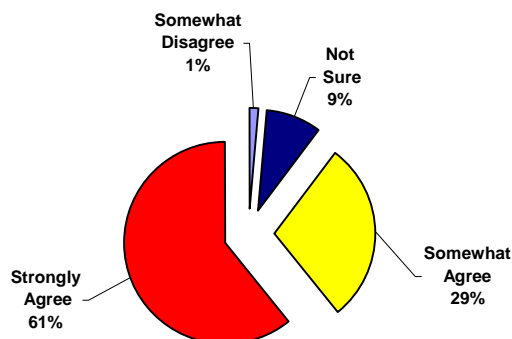
As mentioned earlier, the individuals responding to this survey self-reported a strong sense of commitment in terms of tenure and attendance. When asked if each board member had personal liability for the actions of the charity, a full 68% expressed agreement with the statement while only 23.1% disagreed that liability exists (Figure 6). A

similar pattern existed for recognition that failure to attend increases personal liability. A review of “answer pairs” to the questions related to board responsibilities and personal liability did not produce significant correlation. For example, of the forty-two respondents who did disagree that nonprofit boards are held to a different standard than charity boards, twenty-nine (69%) agreed that they had personal liability. Of the twenty-seven people who did view the standards to differ, seventeen (63%) also agreed that they had personal liability. While it appears that many boards do elect members who serve a “special purpose”, only 23% of the respondents felt that these specialty members have limited liability while a full 49.3% viewed the liability to be the same for all members.

Area #4: Is the Performance of Charity Board Members Evaluated? (Should They Be Evaluated?)

By far the statement with the greatest level of agreement was related to the board members’ knowledge of expectations. Only one respondent indicated that they disagreed with the statement “I know what the performance expectations are for me as a member of this board” (Figure 7).

Figure 7: I know My Performance Expectations



While 8.9% indicated they were “not sure”, the remaining 90% agreed that they had an indication of what the performance expectations were for their role. It is interesting to note that while none of the respondents indicated a lack of clarity in performance expectations, only 57% of them indicated that they have received some sort of feedback regarding their performance. This is likely related to feedback associated with special tasks or projects directed by the leader(s) of the organization. The message here seems to be that volunteers do receive encouragement. In discussions with key leaders, the concept of a nucleus of people that function like a “for profit” board seemed to always come up. In some cases, it was called the executive committee. In other cases, it was known ... but not named (i.e., the executive director knew who to call regarding key issues). There seems to be efforts underway in some organizations to formalize such arrangements by taking large boards and creating an executive board and an advisory board. Carol Burger of United Way summed it up by saying “A forty member board is not manageable”. If some members are just “ambassadors” while other members function in the traditional board roles, it might be best to codify the distinctions.

Discussion

The topic of this paper deals with the assessment of nonprofit boards as an entity and the assessment of individual board members. From the review of the research and literature, the following statements can be used to frame the situation today:

- ✓ The nonprofit board is a legal entity and should be held to standards similar to for profit organizations.
- ✓ In most nonprofit organizations today, it is unlikely that the individual board members fully understand the “basics of the board structure and responsibilities”
 - Articles of Incorporation and By-Laws

- ✓ The nonprofit board members are dedicated community servants committed to making a difference in a cause they fully embrace.
- ✓ It is likely that the average nonprofit board member clearly understands what performance is expected.
- ✓ While the performance of the “paid executive” seems to be an annual event, it seldom involves the entire board.
- ✓ The performance of the charity board is unlikely to be formally reviewed on a regular basis.
- ✓ In the nonprofit literature, sufficient tools are available to provide any “motivated” nonprofit the ability to create meaningful assessment systems for the board as a whole and for individual board members.

In the interviews with key leaders, it was obvious that “priorities other than board operation” command the attention of these leaders. The number one issue, as expected, is securing the funds to execute the primary mission of the organization. Carol Burger of the United Way described her biggest issue as “a young public that doesn’t understand the concept of giving”. Mary Fortune of the Diabetes Foundation cites her biggest issue as being “an organization heavy in great programs in need of support”. Linda Montgomery, President of the Community Foundation of Greater Jackson laments that she has to spend so much time in fund-raising that she isn’t of greater service to the nonprofits in the area. Not once did a key executive or leader describe the “biggest issue” as operation or assessment of the board.

In response to the question of how board members are selected, answers from the leaders all centered on an opportunistic process. If, as in the case of the Diabetes Foundation of Mississippi, the issue is public positioning, the search for a new board member is focused on a public relations or advertising expert (with a connection or interest in diabetes). The phrase “with a skill set that is missing from our active members today”

sums up the search process quite well. The size of the board and the understanding of board responsibilities seem to be secondary issues. Board “housekeeping” was never mentioned – *the concept of asking George to leave because he doesn’t do anything is foreign to the charity board world.*

In the Jackson area, a forum does not exist where nonprofit leadership can assemble on a scheduled basis to discuss issues of board performance or accountability. In the days of the Combined Federal Campaign (CFC), the nonprofits did have such a forum, but that trigger for a gathering no longer exists. While the leaders agree that the issues of performance and liability are important, the activity of the leadership seems to be constantly pushed toward the funding and the delivery of the primary mission. How can this key area – assessment and board education – be properly served?

Recommendations

In the Jackson area, it would be possible for a great nonprofit institution, like Millsaps College, to accept the challenge of creating a seminar for nonprofits that will deliver the package of information and tools required to ensure an effective, informed, and accountable board of directors. Not only does Millsaps have access to the information required to create such a program, it also has expertise in lesson creation, instructional techniques, and owns first-rate delivery facilities. When offered this suggestion, Linda Montgomery of the Community Foundation of Greater Jackson expressed excitement with the concept and offered to help with the process.

After securing approval of the concept, the first step would likely involve a conference with local charity leadership to discuss the creation of a seminar series that would occur on

a regular basis. It would be critical to solicit input related to the exact areas to be explored very early in the process. Efforts need to be viewed as additive rather than competitive.

The candidate areas would include:

- Review of Charter and Incorporating Documents
- Board Design and Member Recruiting
- Member Education
- Board Assessment Program
- Member Assessment Program
- Dealing with Non-Performance
- Protecting the Mission and Members of the Charity

After securing the necessary input, the seminar could be designed and delivered on a periodic basis by the college. In addition to being an outstanding community service, it would provide the students with exposure to local leaders and the concept of public service.

The next step would be to commission another graduate team to follow-up on this report with the creation and delivery of the suggested conference. The willingness of key leaders to attend such an event would provide Millsaps with a clear indication of the perceived value of such an effort. It is possible for Millsaps to help the countless hours provided by our community minded citizens to be more productive. *“These pieces are all there ... but some assembly is required.”*

ATTACHMENT A: Separation of Responsibilities

To help convey who does what regarding board and staff, the following activities are suggested to be done by board, staff or jointly. This document should be reviewed by board members to finalize who they would like to do what among board and staff members. (The original author of this document is unknown.)

Activity	Responsibility
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PLANNING:

Direct the process of planning	Staff
Provide input to long range goals	Joint
Approve long range goals	Board
Formulate annual objectives	Staff
Approve annual objectives	Board
Prepare performance reports on achievement of goals and objectives	Staff
Monitor achievement of goals and objectives	Joint

PROGRAMMING:

Assess stakeholder (customers, community) needs	Staff
Train volunteer leaders (nonprofits only)	Staff
Oversee evaluation of products, services and programs	Board
Maintain program records; prepare program reports	Staff
Prepare preliminary budget	Staff
Finalize and approve budget	Board
See that expenditures are within budget during the year	Staff
Solicit contributions in fundraising campaigns (nonprofits)	Board
Organize fundraising campaigns (nonprofits)	Staff
Approve expenditures outside authorized budget	Board
Insure annual audit of organization accounts	Board

PERSONNEL:

Employ Chief Executive	Board
Direct work of the staff	Staff
Hire and discharge staff member	Staff
Decision to add staff (nonprofit)	Board
Settle discord among staff	Staff

COMMUNITY RELATIONS:

Interpret organization to community	Board
Write news stories	Staff
Provide organization linkage with other organizations	Joint

BOARD COMMITTEES:

Appoint committee members	Board
Call Committee Chair to urge him/her into action	Board
Promote attendance at Board/Committee meetings	Joint
Recruit new Board members	Board
Plan agenda for Board meetings	Joint
Take minutes at Board meetings	Joint
Plan and propose committee organization	Joint
Prepare exhibits, material and proposals for Board and Committees	Staff
Sign legal documents	Board
Follow-up to insure implementation of Board and Committee decisions	Staff
Settle clash between Committees	Board

Resource: <http://www.mapnp.org/library/boards/brdvsstf.htm>

ATTACHMENT B: Evaluation of the Chief Executive Officer

The following is one sample form that might be used by the Board to evaluate the Chief Executive. This sample should be customized to the particular culture and purpose of the agency by modifying the performance criteria (in the following table) as appropriate for the organization, inserting those criteria in the table below, and conducting the evaluation using the updated table.

Directions:

1. The Board establishes a policy for evaluating the Chief Executive and establishes a current or ad hoc committee to carry out the evaluation. See "[Guidelines for the Board's Evaluation of the Chief Executive.](#)"
2. Board, working with the Chief Executive, establishes performance criteria and inserts them in the table below. References organizational goals and the Chief Executive's job description.
3. The Board assigns specific weighing factors for each of the major categories below. Factors depend on what the Board believes should be priorities for the Chief Executive during the evaluation period. The factors should total 100%. Example weightings might be finances 15%, revenue 20%, human resources 15%, products/programs 20%, facilities 10%, planning and governance 20%.
4. Each Board member and the Chief Executive completes the table below about the Chief Executive's performance during the evaluation period. Each criteria is ranked from 1-5, with 1=unsatisfactory, 2 = partially within expectations, 3=meets expectations, 4=exceeds expectations, and 5= far exceeds expectations. This numerical ranking system tends to give perspective more than commentary. Rankings with commentary is ideal.
5. Multiply each ranking by the category's weighting factor. Put the answer in the score column.
6. On a separate sheet of paper, provide any commentary that addresses rankings below 3. Consider adding commentary for high ratings as well.
7. Provide evaluation sheet and commentary to the Board member who is assigned to collate the sheets (usually the Board Chair).
8. The Board may decide to provide the Chief Executive an average ranking for each category. Similarly, commentary can be summarized or each comment provided to the Chief Executive.
9. The evaluation committee provides the evaluation report to the Chief Executive and schedules a meeting with him or her shortly thereafter.
10. Ensure the meeting is update and ends on a positive note.
11. Ensure plans are made to address ratings below 3, including specific actions by specific dates.

Sample Basic Form for Evaluating Chief Executive

Directions for use of this form are included on the previous page.

Name of Preparer	Ratings	Weight Factor	= Score
<p>Finances, consider:</p> <ul style="list-style-type: none"> · No loss of operating funds; no prolonged legal difficulties · Develops realistic budgets and stays within them · Maintains needed cash flow · Receives a "clean" financial audit <p><i>Comments:</i></p>			
<p>Revenue, consider:</p> <ul style="list-style-type: none"> · Raises enough revenue to accomplish significant program goals and maintains or builds a financial balance keeping with organizational policy <p><i>Comments:</i></p>			
<p>Human Resources, consider:</p> <ul style="list-style-type: none"> · Maintains or increases productivity of staff · Maintains sufficient and effective volunteer corps (<i>nonprofits</i>) · No undue staff turnover; no ongoing personnel complaints <p><i>Comments:</i></p>			
<p>Products/Programs, consider:</p> <ul style="list-style-type: none"> · Maintains or expands programs per plans · Program evaluations demonstrate effectiveness · Meets yearly program goals and objectives <p><i>Comments:</i></p>			
<p>Facilities, consider:</p> <ul style="list-style-type: none"> · Maintains professional surroundings and safe working environment <p><i>Comments:</i></p>			
<p>Planning and Governance, consider:</p> <ul style="list-style-type: none"> · Has in place a clear mission statement and strategic plan · Maintains an active Board that provide good governance to the organization <p><i>Comments:</i></p>			

Resource: <http://www.mapnp.org/library/boards/edvalfrm.htm>

ATTACHMENT C: Board Self Evaluation

The following table can be used by all board members and the chief executive to get an impression of how well the board is doing. The table is a rather basic form for board evaluation. But, if the evaluation is conducted wholeheartedly, the form should indicate how the board is generally doing in conducting its role.

Each member and the chief executive should complete the form about four weeks before a board retreat. Members attach suggestions about how the board could get higher ratings for any or all of the following 14 considerations.

Ideally, someone outside the organization receives the completed forms, collates the results and writes a report indicating the number of respondents who rated the board for each of the 12 considerations.

	Considerations	5 Very Good	4 Good	3 Ave.	2 Fair	1 Poor
1	board has full and common understanding of the roles and responsibilities of a board					
2	board members understand the organization's mission and its products / programs					
3	structural pattern (board, officers, committees, executive and staff) is clear					
4	board has clear goals and actions resulting from relevant and realistic strategic planning					
5	board attends to policy-related decisions which effectively guide operational activities of staff					
6	board receives regular reports on finances/budgets, products/program performance and other important matters					
7	board helps set fundraising goals and is actively involved in fundraising (<i>nonprofit</i>)					
8	board effectively represents the organization to the community					
9	board meetings facilitate focus and progress on important organizational matters					

10	board regularly monitors and evaluates progress toward strategic goals and product/ program performance					
11	board regularly evaluates and develops the chief executive					
12	board has approved comprehensive personnel policies which have been reviewed by a qualified professional					
13	each member of the board feels involved and interested in the board's work					
14	all necessary skills, stakeholders and diversity are represented on the board					

Resource: http://www.mapnp.org/library/boards/brd_eval.htm

ATTACHMENT D: Sample Letter and Survey (three sheets)

Fall 2003
Millsaps College
Else School of Business

A team of graduate business students at Millsaps College has been asked to conduct research related to nonprofit boards. The research is focused on board composition and the feelings of board members (and nonprofit executives) relating to board responsibilities, operation, and effectiveness.

Your completion this five-minute survey would be greatly appreciated

If you think your organization would like to review the composite results of the survey, check the appropriate box on the survey and a copy will be routed to your executive or chairman. **No individual results nor results by organization will be distributed. The summary will be by “budget size” only.**

You are to be commended for your work in the area of nonprofits. Our willingness to work for a better world is a key American strength.

Thank you

Jessica Springfield

John Stupka

Amanda Wellington

Working under the direction of Ray Grubbs, PhD – Millsaps College

Your Beliefs Regarding this Board Involvement:

In “rank order”, what do you believe are your top three jobs as a board member?

- ___ Select, appoint, and evaluate the Chief Executive Officer
- ___ Ensure an appropriate long-term vision
- ___ Acquire sufficient resources for the organization’s operations
- ___ Account to the public for the product and services of the organization
- ___ Govern the organization by broad policies and objectives
- ___ Offer opinions as to strategies and possible courses of action
- ___ To represent the views of a specific constituency
- ___ Be available to help with financial aid and advice
- ___ Other: _____
- ___ Other: _____

Please indicate your degree of agreement with the following statements:

	Strongly Agree	Somewhat Agree	Not Sure	Somewhat Disagree	Strongly Disagree
S1: The rules of board accountability are not the same for nonprofits as for “for-profit” firms.	[]	[]	[]	[]	[]
S2: I do have personal liability for actions related To this 501(c)(3)	[]	[]	[]	[]	[]
S3: I increase my personal risk by not attending meetings.	[]	[]	[]	[]	[]
S4: I know what the performance expectations are for me as a member of this board.	[]	[]	[]	[]	[]
S5: I have received feedback related to my performance as a board member.	[]	[]	[]	[]	[]
S6: A specialty board member* has limited liability since he or she is acting as a consultant.	[]	[]	[]	[]	[]

* a person on the board representing a specific organization or group

ATTACHMENT E: Interview Forms

Standard Interview Questions (Paid Executive)

1. Do you enjoy working with (name of charity)?
2. What is the biggest issue facing (name of charity) today?
3. Why were you selected to be the head of (name of charity)?
4. When you and the existing board members are looking for new members, what are the main selection considerations?
5. How many hours per month does the average board member commit to this relationship?
6. What percentage of your board members serve on other boards?
7. What is the #1 function of a member of the (name the charity) board?
8. Do you receive a formal evaluation as the paid executive? (describe the process)
9. Is there a difference in the “board service process” between for profit and nonprofit boards?
10. What counsel would you give a person considering joining a “charity board”?
11. Do your members have significant personal risk?

**Standard Interview Questions
(Board Member / Board Chair)**

1. Do you enjoy the board relationship with (name)? (Probe why)
2. What is the biggest issue/problem facing _____ your board today? (Probe why)
3. Why were you asked to serve on the board of _____?
4. When you and your fellow board members are looking for new members, what are your main selection considerations?
5. How many hours per month does this relationship require?
____ hours
6. How many other boards are you serving on today? ____ other boards
7. What is the #1 function of a member of the _____ board that you serve on?
(i.e....providing direction, monitoring progress)
8. Do you participate in a formal evaluation of the paid executive leader? (Describe the process) (i.e....providing him/her with feedback, etc.)
9. Is there a difference in the “board service process” between for profit and nonprofit boards?
(i.e...what are the differences in serving on each?)
10. What advice would you give a person considering joining a “charity” board?
(i.e....consider the mission of the organization, where does the \$ go, what % stays here?)

ATTACHMENT F: Board Evaluation Schedule

Activity:	Approx. # of months before start of next fiscal year
Evaluate the Chief Executive, by referencing his or her progress towards last fiscal year's organizational goals and responsibilities on their job description	10
Board self-evaluation	9
Board retreat to address results of Board self-evaluation, conduct any team building and begin strategic planning	7
Strategic planning to produce organizational goals and identify resources needed to accomplish the goals	7
Establish Chief Executive's goals for the next fiscal year, by referencing goals produced from strategic planning	6
Establish next year's fundraising goals and budget by referencing resources needed to reach strategic goals	6
Fundraising to meet fundraising goals	6
Fiscal year begins	0

Resource: <http://www.mapnp.org/library/boards/evalchef.htm>

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