

Nonprofit Boards: How Effective Are They?

08.22.17 | Linda J. Rosenthal, JD



How well a nonprofit board performs is a critical factor in the ultimate success of the organization. Do nonprofit directors believe they are doing well enough? How do the experts evaluate the overall quality and performance?

An important project from not too long ago is the [“2015 Survey on Board of Directors of Nonprofit Organizations”](#) by the Stanford School of Business. The findings suggest there is [considerable improvement](#) needed. Researchers outlined nine steps that boards can implement.

Study of Nonprofit Boards

In late 2014, the Stanford Graduate School of Business signed on with BoardSource and GuideStar to launch a survey of over 900 directors. Respondents were asked questions about the [“composition, structure, and practices of their boards.”](#)

“Our research finds that too often board members [lack the skill set, depth of knowledge, and engagement](#) required to help their organizations succeed,” according to lead researcher David F. Larcker, CPA, a professor in Stanford’s accounting department.

In particular, “boards could benefit from [more formal governance](#) structures and processes.” And while 80% of those surveyed indicated their organizations formally evaluate the performance of the executive director, “less than half have explicit performance targets” by which to evaluate the ED. Notably, a whopping 70% reveal they have no succession plan in place for management.

Study co-author, William F. Meehan III, also of Stanford, adds that “(n)onprofit organizations [need to do a better job](#) attracting board members with substantive, relevant experience who will deeply and personally embrace the mission”

Recommendations for Board Success

“To help improve nonprofit board governance, the Stanford study made [nine recommendations](#), including ensuring the organization’s mission is focused and its skills and resources are well aligned,

establishing explicit goals and strategies tied to achieving the mission, and developing rigorous performance metrics that reflect those goals.” Specifically –

- Ensure your organization’s mission is focused and its skills and resources are well-aligned with it.
- Ensure your mission is understood and embraced by the board, management, and other key stakeholders.
- Establish explicit goals and strategies directly tied to achieving your mission.
- Develop rigorous performance metrics that reflect those goals and strategies.
- Hold the executive director accountable for meeting those performance metrics and evaluate his or her performance with a sound, objective process.
- Compose your board with individuals with the skills, resources, generosity, diversity, and dedication that address the needs of the organization. This includes ensuring that there is a small group of committed and cohesive leaders.
- Define explicitly the roles and responsibilities of board members to best leverage their leadership, time, and resources.
- Establish well-defined board, committee, and ad hoc processes that reflect your organization’s needs and context and ensure optimal handling of key decisions and responsibilities.
- Regularly review and assess each board member’s leadership contributions as well as the board’s overall performance. This includes ensuring that board members view their time as well spent.