Nonprofit Governance Index 2012

Data Report 1

CEO Survey of
BoardSource Members

Table of Contents

1

Introduction

For nearly two decades, the *BoardSource Nonprofit Governance Index* has served as a resource and a tool for understanding how nonprofits govern their organizations across the sector. Administered every two to three years, the *BoardSource Nonprofit Governance Index* provides the most up-to-date compendium of information on nonprofit board policies, practices, and performance from a diverse mix of organizations nationwide, and it is the only national study of nonprofit governance that includes responses from both chief executives and board chairs. This report presents data from the seventh edition of the survey, the *BoardSource Nonprofit Governance Index 2012*.

In 2012, BoardSource expanded the study to include two independent samples of nonprofit organizations: (1) a selection of BoardSource members; and (2) a national random sample of nonprofits unaffiliated with BoardSource. We also deepened our inquiry into boardroom culture by adding several items on inclusive practices and shared leadership. From this larger and more complex dataset, we have designed a series of descriptive and interpretive reports that will increase the ease of access to the numbers and provide a more in-depth picture of the data.

The first of these publications, *Data Report 1. CEO Survey of BoardSource Members,* displays frequency information for the sample of nonprofit chief executives who participate in BoardSource membership. This report compares 2012 data to *Governance Index* statistics gathered over multiple years[1]. Key findings from the report include the following:

- **Hopeful signs of recovery across the nonprofit sector.** We found a sizeable reduction in the percentage of nonprofits that made negative financial adjustments (downsizing, cutting staff, reducing salaries and benefits, etc.) in the past two years, as compared to *Governance Index* data collected in 2010. Responses also demonstrate a modest increase in the percentage of organizations expanding or launching new initiatives.

- **Increased accountability and self-assessment.** Positive trends continue with regard to the percentage of nonprofits that operate with basic accountability procedures, including conflict-of-interest, whistleblower, and document retention policies. More boards also are taking a systematic look at their own performance, as the number of organizations conducting board self-assessments increased 5% from 2010-2012.

- **Persistent patterns of inequity among nonprofit leaders by gender, age, and race/ethnicity and low levels of adoption of inclusive practices.** Boards continue to struggle with finding their paths towards inclusion. Figure 5 on page 12 illustrates the almost non-existent progress in recruiting racial and ethnic minorities on boards over an 18-year period. Furthermore, the adoption of inclusive practices, such as conducting diversity training for board members, remains low and stagnant from levels we found in 2010.

- **Percentage of personal giving by board members is high, but fundraising efforts leave much to be desired.** As in 2010, chief executives rank fundraising as the weakest area of board performance. Forty percent of CEOs indicate that board members are reluctant to take on fundraising responsibilities, and only 41% of CEOs agree that board members are comfortable meeting potential donors face-to-face. However, among nonprofits that fundraise, nearly three-quarters of respondents report 90 to 100% personal giving by board members.

Data presented in this report reflect governance practices across a variety of nonprofit organizations with a wide range of board performance. Therefore, it is important to keep in mind that statistics presented should not be interpreted as standards for excellence, but rather a snapshot of the state of nonprofit governance. Subsequent reports of the *BoardSource Nonprofit Governance Index 2012* will focus on analyses of the data in a variety of focused areas, including factors contributing to board performance, diversity and inclusion, and CEO–board chair relations. BoardSource is collaborating with a nationwide network of governance researchers to produce a series of in-depth and useful research-to-practice publications.

We sincerely appreciate the effort of nonprofit leaders across the country who participated in this survey. Your thoughtful responses continue to inform and enrich the sector's understanding of the state of nonprofit governance today.

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[1] BoardSource began collecting *Governance Index* data in 1994. Therefore, this report provides 18-year comparison when feasible. However, some survey questions have changed over time and therefore may reflect 5-year (2007-2012) and/or 2-year (2010-2012) comparisons.

2

Methodology

The *BoardSource Nonprofit Governance Index* gathers information on board composition, policies, practices, and performance via a written survey questionnaire administered to nonprofit chief executives and board chairs. In 2012, the survey was sent to a sample of 5,052 BoardSource members with the title of "chief executive" or equivalent. Members were contacted via e-mail and by postal letter from May through July 2012. BoardSource received a total of 1,341 responses, a 27% response rate.

The survey included 66 multiple-choice and open-ended questions designed to collect data on CEO and board member demographics, organizational characteristics, board structure, diversity and inclusion, board meeting practices, compliance with basic governance roles and responsibilities, and collaborative leadership practices. The instrument also asked chief executives to measure board performance in 14 competency areas, including strategic thinking, monitoring organizational performance, financial oversight, fundraising, and community outreach.

Responses came from all 50 states and included a diverse mix of nonprofit charities, foundations, and associations. Figure 1 shows the distribution of responses across the continental U.S.

FIGURE 1 **Geographic Distribution of Survey Responses across the Continental U.S.**
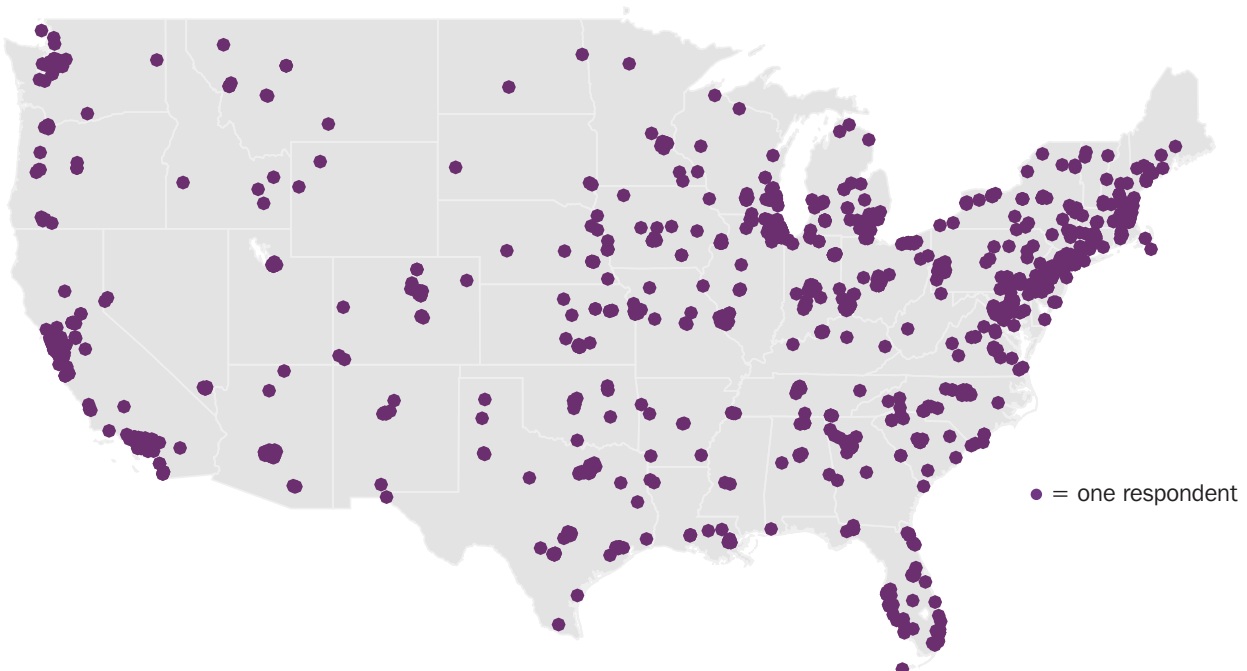

● = one respondent

Table 1. Organizational Characteristics
DATA AT A GLANCE

Key Variables	Percent
Geographic Scope	
Local	38%
Statewide or regional within state	34%
National or multi-state	18%
International	10%
Type of Nonprofit	
Public charity	70%
School/college/university	6%
Association or professional society/trade association	14%
Foundation	7%
Other	3%
Budget Size	
Less than $1,000,000	31%
$1 million - $9,999,999	48%
$10 million and above	21%
Organizational Changes (past two years)	
Hired a new chief executive	14%
Completed a new strategic plan	52%
Launched a major initiative or expansion	61%
Downsized operations or reduced services	19%
Cut staff	22%
Merged or combined with one or more organizations	8%
Dipped into reserves or endowment	25%
Cut or froze salaries	23%
Dropped or diminished employee benefits	12%
Lost revenues due to diminished public funding	25%
Network, Federation, or Affiliation Status	
Parent organization	9%
Regional/intermediate organization	6%
Local/subsidiary organization	15%
Not part of a formal network or federated system	70%

3

Organizational Characteristics
KEY FINDINGS & TRENDS

Representation within the Sample

The 1,341 chief executive respondents lead a diverse mix of nonprofit organizations in size, location, geographic scope, and mission area. The median operating budget is $1,000,000 – $4,999,999 annually. The majority of respondents (70%) identified as "public charities," a term the survey uses to categorize a wide range of 501(c)(3) nonprofits covering a variety of mission areas, including arts and culture, community development, health care, youth development, and social services. Other types of nonprofits in the sample include professional societies and trade associations (14%), public and private foundations (7%), and educational institutions (6%). Thirty percent of the organizations are part of a formal network of affiliated or federated nonprofits across the country.

Major Organizational Changes

When BoardSource administered the *Governance Index* in 2010, the sector was still reeling from the recession that had only just begun to abate. In 2010, the number of respondents who identified one or more negative adjustments (downsizing, cutting staff, reducing salaries and benefits, etc.) outnumbered the organizations that were expanding or launching new programs. In 2012, the trend has reversed. More organizations are completing strategic plans and launching major initiatives, and fewer are instituting cuts in staff and budgets or other cost-saving maneuvers. The change is most striking in the area of salaries, which is especially good news for sector employees. In 2010, more than 40% of respondents reported cutting or freezing salaries; in 2012, only 22% report doing so. See Figures 2 and 3.

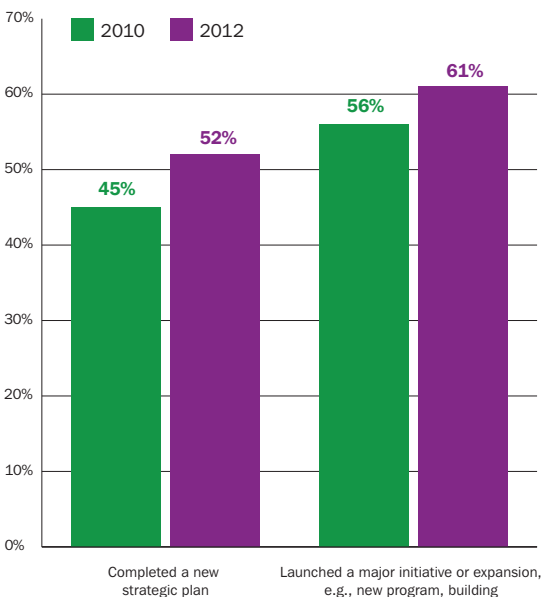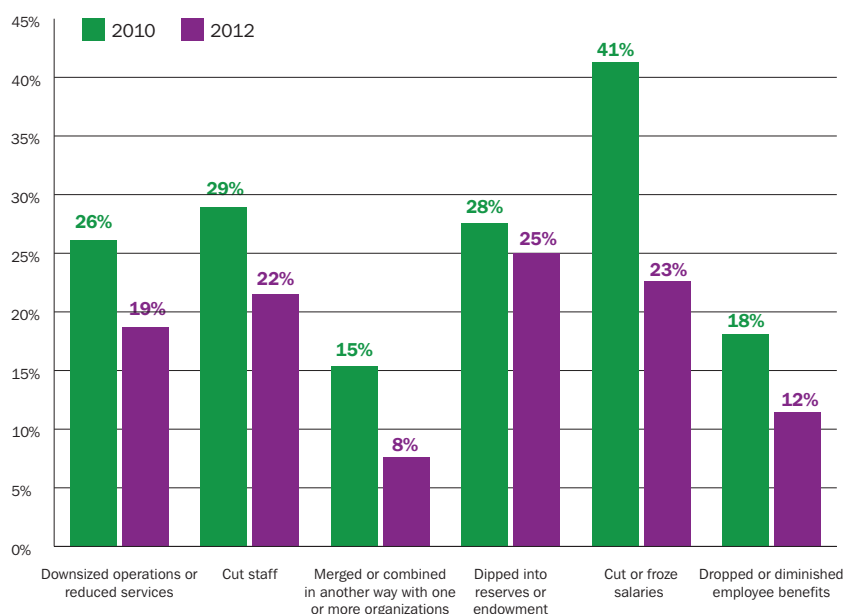*FIGURE 2* **Organizational Change 2010–2012, New Initiatives and New Strategy**

FIGURE 3 **Organizational Change 2010–2012, Cost-Saving Initiatives**

4

CEO Characteristics
KEY FINDINGS & TRENDS

CEO Demographics[2]

Data from the 2011 U.S. Census Bureau report reveal that the U.S. population is 63% Caucasian, 17% Hispanic or Latino/a, 13% African American/Black, 5% Asian, 1% American Indian and Alaskan Native, and 0.2% Native Hawaiian and other Pacific Islander.[3] As shown in Table 2, African Americans and Hispanics are significantly underrepresented in our respondent CEO population. At a time when national diversity is increasing exponentially, CEO diversity in the *Governance Index* decreased from 88% Caucasian in 2010 to 93% Caucasian in 2012. The CEO gender divide remains relatively constant from 2010, with two-thirds female to one-third male. CEO age also remains stable, with about 80% of CEOs between the ages of 40 and 64 in 2010 and 2012.

CEO Tenure

Nonprofit chief executives average more than nine years on the job. Of those chief executives who plan to leave their positions in the next year, the average tenure is more than 10 years. CEOs of the largest nonprofits in the sample (budgets of $25 million or more per year) averaged 11.5 years on the job, compared to an average 6-year tenure among CEOs of large corporations.[4] In 2012, CEO transitions (i.e., executives with less than one year on the job and/or planning to leave within the year) total about 17% of the sample, a slight increase over 2010 when 15% of the chief executive sample was in a transition year. Not surprisingly, CEOs who plan to leave their positions in the next 1 to 2 years report lower job satisfaction (mean = 3.2-3.3) compared to those who plan to stay in their positions longer (mean = 3.5-3.7).

CEO Board Membership and Time Spent on Board Work

To facilitate communication between the chief executive and the board, while retaining the lines of authority and oversight, BoardSource recommends that the chief executive serve as an *ex officio*, non-voting member of the board. Forty percent of respondents are in that category. Having a vote on the board tends to create numerous conflicts of interest, raise questions on accountability, and may muddle the line between oversight and implementation. A rather constant number, 14% of chief executives, serve as voting members of their boards. Nearly half of chief executives do not serve on the board but may attend most board meetings. It is still possible that these chief executives have solid constructive partnerships with their boards, but it is also possible that the board reserves the governance leadership role exclusively for itself and considers the role of the chief executive simply as the leader of staff functions.

There is considerable variation in the amount of time CEOs spend on board work per month. While the average is 23 hours per month, one-third of respondents spend fewer than 11 hours per month, and one-fifth spend more than 30 hours per month. Interestingly, there are no differences in the average amount of time CEOs spend on board work based on his/her role on the board (i.e., voting member, nonvoting member, non-member, or chair).

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[2] Note: For ease of reporting, we use the term "chief executive" or "CEO" to mean the chief staff officer of an organization. This individual may be designated as president, chief executive, chief executive officer, executive director, or some other title.

[3] Source: http://quickfacts.census.gov/qfd/states/00000.html

[4] Source: http://www.forbes.com/2008/03/07/executive-ceo-tenure-lead-manage-cx_mk_0307turnover.html

Table 2. CEO Characteristics
DATA AT A GLANCE

	Key Variables	Percent
CEO Demographics		
Gender	Female	62%
	Male	38%
Race/Ethnicity	American Indian or Alaskan Native	<1%
	African American / Black	3%
	Asian American	<1%
	Caucasian	93%
	Hispanic, Latino, or Spanish	2%
	Native Hawaiian or Pacific Islander	<1%
	2 or more races	1%
Age	Under 30	<1%
	30-39 years	5%
	40-49 years	20%
	50-64 years	62%
	65 years or older	12%
CEO Tenure		
Tenure *(Mean = 9.1)*	1 year or less	9%
	2-5 years	31%
	6-10 years	26%
	11 years or more	34%
Leaving Job	Within the year	8%
	Next 1-2 years	13%
CEO's Role on Board		
Board membership status of the CEO	CEO as nonvoting board member	40%
	CEO as voting board member	14%
	CEO not a member of board	46%
	CEO as chair of board	3%
Hours spent on board work per month	1-10 hours per month	33%
	11-18 hours per month	18%
	19-30 hours per month	29%
	More than 30 hours per month	20%
CEO Job Satisfaction		
Job satisfaction *(Mean = 3.6 on a 4-point scale)*	(4) Very satisfied	65%
	(3) Somewhat satisfied	29%
	(2) Somewhat dissatisfied	5%
	(1) Very dissatisfied	1%

5

Board Composition and Structure
KEY FINDINGS & TRENDS

Size and Demographics

Average board size has remained stable in recent years, with a mean between 16 and 17 members since 2004, after decreasing from about 19 members in 1994-1999. However, BoardSource cautions against interpreting the mean as an indicator of optimal size for all boards. Every board needs to determine the number of members it needs to function at the most effective level and how to incorporate regular renewal among the members. We found that 77% of boards are currently actively recruiting for one or more board members. When asked how difficult (or easy) it is to find board members, respondents were decidedly mixed: half (53%) find it very or somewhat easy, and half (46%) find it somewhat or very difficult.

Board members' racial and ethnic backgrounds closely mirror that of the CEO, with both African Americans and Hispanics substantially underrepresented relative to population size. Asian American and Native American populations are also underrepresented. Nearly 30% of all nonprofit boards report that 100% of their members are Caucasian with no other racial or ethnic representation.

Figure 5 illustrates the persistent levels of inequity among African American, Asian American, and Hispanic/Latino populations as documented by the *BoardSource Nonprofit Governance Index* over the past 18 years. In 1994, racial/ethnic distribution of board members included 9% African American, 1% Asian American, 86% Caucasian, and 3% Hispanic/Latino. In 2012, the numbers have shifted only slightly to include 8% African American, 2.6% Asian American, 82% Caucasian, and 3% Hispanic/Latino.

Gender distribution on nonprofit boards has remained relatively stable over time with respondents reporting 10% more men than women in 2012 (see Figure 4). Larger nonprofits with budgets of more than $10 million annually average 37% female representation, as compared to 51% females on boards of small nonprofits with budgets less than $1 million annually. Nonprofits with female CEOs average 50% female representation on their boards, while those with male CEOs average only 37% female representation on their boards. In fact, 77% of nonprofits with male CEOs in our sample had a majority male board. Furthermore, differences in female board member representation by CEO gender persist even after taking organization budget size into consideration. In other words, organizations of similar size are still more likely to have a majority male board if the CEO is male.

Board member demographics by age remain nearly identical to the distribution found in 2010. Young, next-generation members (under the age of 40) still only represent 14% of board composition. Large nonprofit organizations with budgets of $10 million or more annually average less than 10% of next generation board members.

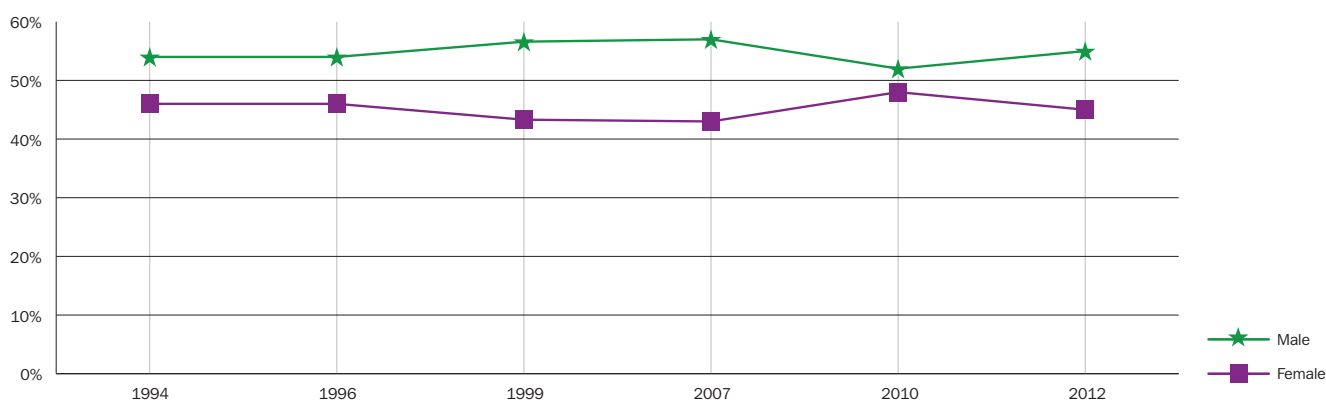*FIGURE 4* **Board Member Composition by Gender 1994-2012**

# Table 3. Board Composition and Structure
DATA AT A GLANCE

Key Variables		Percent or Mean
Board Size & Recruitment		
Voting Members	Average number currently serving on board	16.2 members
Vacancies (Mean = 2.8)	Currently recruiting 1-3 board members	46%
	Currently recruiting 4-6 board members	26%
	Currently recruiting more than 6 board members	5%
	Not currently recruiting	23%
Ease/difficulty recruiting new members	Very easy	13%
	Somewhat easy	40%
	Somewhat difficult	42%
	Very difficult	5%
Board Member Demographics		
Gender	Female	45%
	Male	55%
Race/ethnicity	African American/Black	8%
	American Indian or Alaska Native	.6%
	Asian American	2.6%
	Caucasian	82%
	Hispanic, Latino, or Spanish	3%
	Native Hawaiian or Pacific Islander	.2%
	Two or more races	.9%
Age	Under 30	2%
	30-39 years	12%
	40-49 years	28%
	50-64 years	43%
	65 years or older	15%
Board Member Compensation		
	Pay board members fee or honorarium for their service	3%
	Reimburse board members for travel and other expenses	26%
Board Member Terms		
Average length of terms (in years)	Board members	3.0 years
	Board chairs	1.8 years
	Other officers	1.7 years
Average # of consecutive terms (among boards with consecutive term limits)	Board members	2.4 terms
	Board chairs	2.0 terms
	Other officers	2.2 terms

Table 3. Board Composition and Structure
DATA AT A GLANCE (CONTINUED)

Committees		
Policies and practices	Written committee charters	77%
	Executive Committee meets more often than full board	21%
Committees ranked by prevalence (average number of committees = 5.5)	Executive Committee	79%
	Fundraising/Development	56%
	Finance/Audit – combined	46%
	Governance/Nominating – combined	38%
	Finance – standalone	37%
	Nominating – standalone	29%
	Program	27%
	Audit – standalone	26%
	Marketing/Communications/Public Relations	23%
	Planning/Strategic Planning	23%

FIGURE 5 **Board Member Composition by Race/Ethnicity 1994–2012**
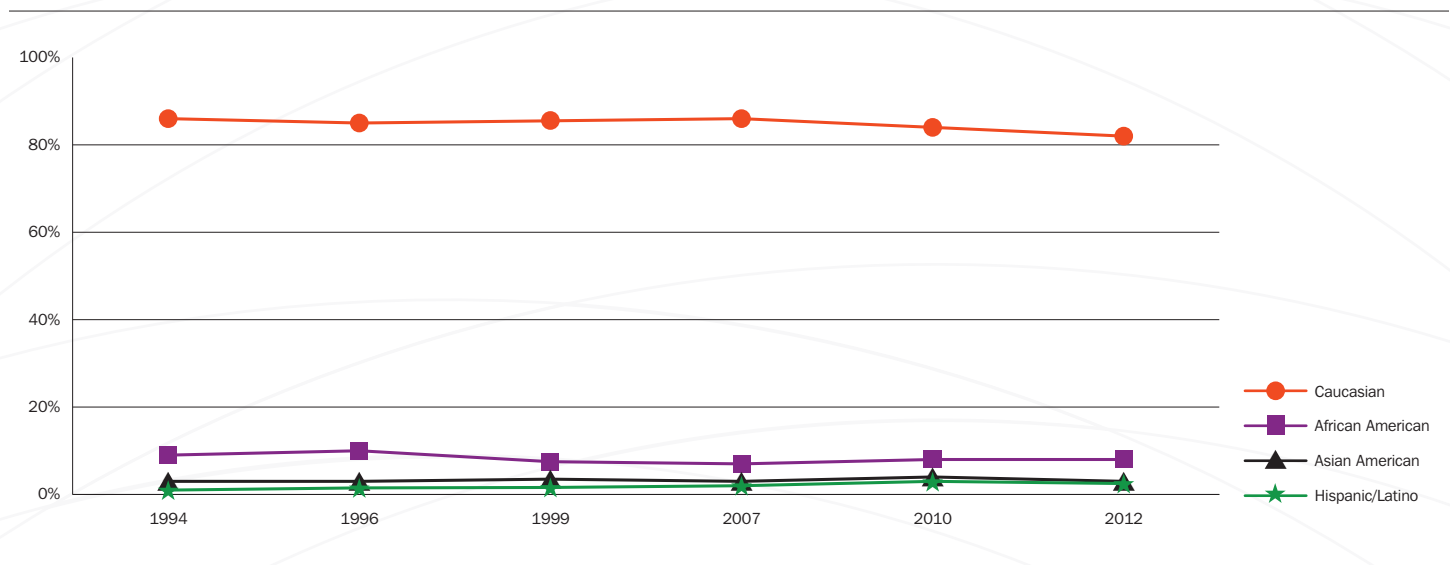
Term Limits

Across the sample, more than 27% of boards have no term limits (i.e., a maximum number of consecutive years that a board member can serve). The majority of board member terms are three years (69%). Among boards with consecutive term limits, the most common structure for board member service is two consecutive 3-year terms; the second most common structure is three consecutive 3-year terms. A detailed distribution of length of terms and consecutive terms limits by board role is provided in Tables 4 and 5 below.

Table 4. Number of Years per Term by Board Role

	Less than 3 years	Three years	Four or more years	No Terms
Board members	19%	69%	11%	1%
Board chair	82%	14%	3%	1%
Other officers	79%	16%	4%	1%

Table 5. Consecutive Term Limits by Board Role

	One	Two	Three	Four+ but with limit	No consecutive term limits
Board members	4%	42%	23%	4%	27%
Board chair	22%	35%	11%	4%	28%
Other officers	12%	34%	13%	4%	37%

Committee Structure

On average, nonprofit boards have 5.5 committees. Since 1994, the most common committee identified has been the executive committee. Data show a slight decrease over time in the percentage of boards with executive committees, from 83% in 1994 to 79% in 2012. About 30% of executive committees meet on an as-needed basis, while 21% meet as often as the full board, and 21% meet more often than the full board. Executive committees are much more common in large organizations. Eighty-six percent of organizations with budgets of $10 million or more have executive committees, compared to 72% in organizations with budgets of $1 million or less. Large boards (23 or more members) also are more likely to have an executive committee (93%), as compared to smaller boards with 14 or fewer members (69%).

For years, BoardSource has questioned the need for an executive committee for most boards. It is interesting to speculate whether boards have an executive committee essentially because of tradition; perhaps they have always had one and have not questioned its usefulness. In the past, one role of the executive committee was to act as a smaller body that could convene quickly in special session when needed; today, technology allows the board to easily communicate, making that particular need less critical. (See Figure 6 for trends in meeting practices and technology.) When downsizing is not an option, an executive committee can help a large board coordinate the board's priorities and handle urgent, administrative decisions that need attention between regular meetings. In all cases, if a board has an executive committee, it must define the committee's purpose and authority level in the bylaws.

The second most common committee is fundraising (56%), followed by a combined finance/audit committee (46%) and combined governance/nominating committee (38%). In addition, one-third of the respondents identified "other" committees, resulting in a list that features hundreds of variations, such as "information technology," "consumer affairs," and "volunteer engagement," and demonstrating efforts by many boards to tailor committee structures to the particular needs, mission areas, and structure of their organizations. Most chief executives (54%) feel that their committees "generally work well and support the work of the board." Yet, a significant percentage (38%) reports that they have "a mix of effective and ineffective committees."

6

Board Policies and Practices
KEY FINDINGS & TRENDS

Meetings

It is a promising sign that board meeting attendance is high; only 12% of respondents report less than 75% attendance. The most common meeting frequency is four to six times per year, reported by 44% of respondents. About 28% of respondents hold board meetings 10-12 times per year. Table 6 shows the variation in meeting time based on the number of meetings per year. Naturally, meeting time decreases as the frequency of meetings increases. The most common schedules are meeting 7 to 12 times per year for less than two hours, and meeting four to six times per year for two to five hours.

Table 6. Variation in Lengths of Meetings by Number of Meetings per Year

	Meets 1-3 times/ year	Meets 4-6 times/ year	Meets 7-12 times/ year	Meets more than 12 times per year
TOTAL	10%	44%	44%	2%
Less than 2 hours	11%	38%	62%	48%
2-5 hours	21%	48%	37%	52%
1 day	31%	9%	>1%	0%
2 or more days	37%	5%	>1%	0%

The *Governance Index* includes several questions that seek to measure meeting productivity. BoardSource found that boards spend on average 35% of their time on committee or staff reports. This percentage is down slightly from 2010, when the average time spent on committee reports was 39%. Data also demonstrate small increases in the use of productive meeting tools, such as dashboards, consent agendas, Web-based board portals, and telecommunications, from 2010 to 2012 (see Figure 6). However, the number of respondents reporting that "board meetings focus on strategy and policy issues rather than operational issues" to a "great extent" remains stagnant at 38% from 2010 to 2012.

As expected, there is an inverse relationship between time spent on committee/staff reports and the extent to which board meetings focus on strategic or policy issues.

FIGURE 6 **Use of Meeting Practices and Technology 2010-2012**
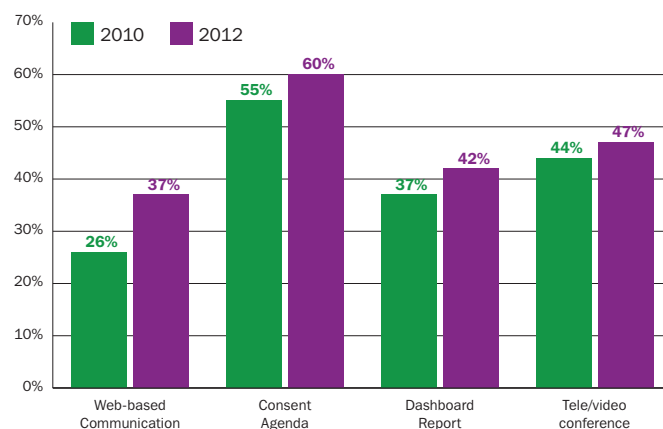
Accountability

The IRS Web site reads, "Good governance is important to increase the likelihood that organizations will comply with the tax law, protect their charitable assets and, thereby, best serve their charitable beneficiaries." Adoption of accountability measures has continued to increase since the revision of the IRS Form 990, which began requiring disclosure of multiple governance policies in 2009. Figure 7 illustrates the increase in organizations' adoption of conflict-of-interest, whistleblower, and document retention and destruction policies over the past five years. Data from 2012 demonstrate an 85% to 96% adoption rate.

It is important to note, however, that having policies doesn't guarantee strong governance. Approving recommended policies is only the first step and needs to be followed by the board's dedication to implementation and strong oversight.

FIGURE 7 **Changes in Use of Accountability Policies 2007-2012**
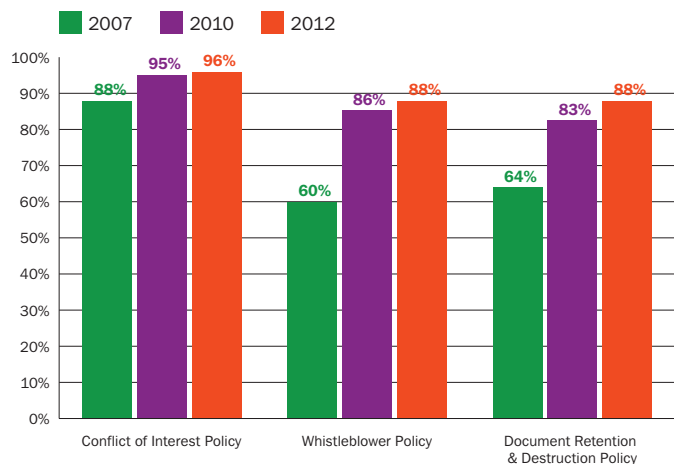
Chief Executive Compensation

Similar to 2010, BoardSource found that 71% of boards use comparable data when establishing chief executive compensation, and 72% of boards approve CEO compensation with a vote of the full board. However, only 55% of the respondents adhered to both practices — comparable data and full board approval. This finding is especially significant because in cases where excess benefit transactions may be suspected, the IRS holds nonprofits accountable for demonstrating due diligence by having an independent body approve executive compensation, consulting comparable data, and documenting this process.[5]

Board Self-Assessment

Nearly 30% of respondents report that their board has never conducted a formal, written evaluation of its own performance. This absence of formalized self-assessment is more common in smaller nonprofits, but also includes about 15% of organizations with budgets of $10 million or more annually. However, trends in board performance evaluations appear to be moving in the right direction. In 2012, 55% of the *Governance Index* respondents report that they have conducted a formal self-assessment in the past three years, compared to 50% in 2010.

Fundraising

The vast majority of organizations participating in the *Governance Index* (81%) engage in fundraising. Among organizations that fundraise, the rate of personal giving by board members is high. Nearly 75% of chief executives report 90% to 100% personal board giving, a rate similar to the 2010 finding.

According to longitudinal *Governance Index* data, expectations around board members' role in fundraising have changed in recent years (see Figure 8). In 2012, boards were more likely to attend fundraising events and make personal contributions. Expectations for board members to identify potential donors have remained relatively constant over the past five years, while expectations around the direct solicitation of funds have decreased slightly.

However, despite some rising expectations, a substantial portion of chief executives (40%) report that their board members remain reluctant to participate in fundraising activities (see Figure 9). While most chief executives indicate (75% "strongly agree" or "agree") that expectations regarding fundraising are explained during recruitment, there are still challenges in fulfilling fundraising activities. Chief executives identify fundraising as the most common area needed for board improvement, and fundraising is consistently the lowest scoring area on the board report card (see page 22).

FIGURE 8 **Trends in Board Fundraising Expectations 1999-2012**
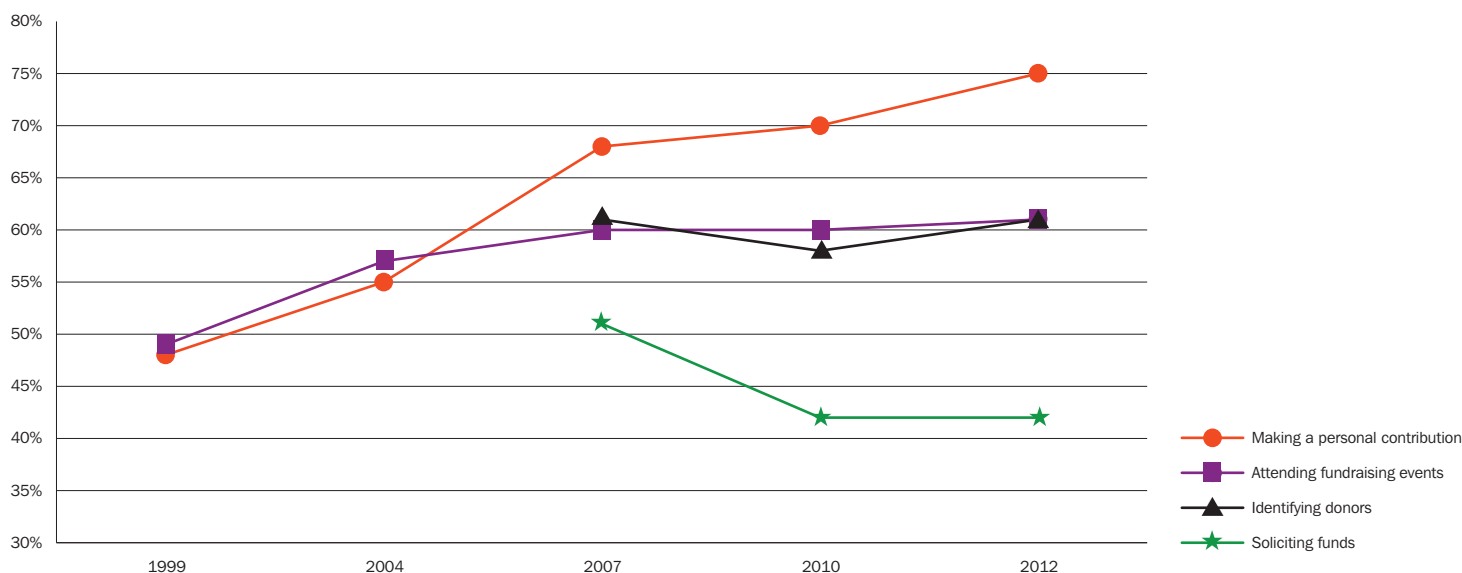
[5] For more information on executive compensation and excess benefit transactions, see BoardSource (2012), *Nonprofit Excess Benefit Transactions: A Position Paper Submitted to the Commission on Accountability and Policy for Religious Organizations*.

Table 7. Board Policies and Practices
DATA AT A GLANCE

Key Variables		Percent or Mean
Meetings		
	Average number of board meetings per year	7.1 meetings
	75% or more average board attendance	88%
	Records/minutes of board and committee actions	98%
	Percent of time spent on committee or staff reports	35%
	Consent agenda	60%
	Dashboard report	42%
	Web-based communication (e.g. board portal or other password-protected site)	37%
	Teleconference or video conferencing	47%
Accountability		
Policies	Written document retention and destruction policy	85%
	Written conflict-of-interest policy	96%
	Signed conflict-of-interest and annual disclosure statements	89%
	Written whistleblower policy	88%
Executive evaluation and compensation	Formal, written evaluation of CEO	81%
	Comparable data when determining CEO compensation	71%
	Full board approval of CEO compensation	72%
	CEO compensation determined by BOTH comparable data and full board approval	55%
IRS Form 990	Provide board members with Form 990 before filing	81%
	Post Form 990 to Web	64%
Formal, written self-Assessment of board performance	In the past three years	55%
	3 or more years ago	10%
	Don't know	6%
	No board assessment has been done	29%

Table 7. Board Policies and Practices
DATA AT A GLANCE (CONTINUED)

Fundraising		
	Percent of fundraising organizations in the sample	81%
Personal contributions (among organizations that fundraise)	Boards requiring personal financial contribution	75%
	Boards with 100% giving from board members	56%
Percent of boards requiring additional development activities (among organizations that fundraise)	Identifying donors	61%
	Soliciting funds	42%
	Attending fundraising events	61%
	Contributing pro bono and/or in-kind support	40%
Public Policy and Advocacy		
Boards engaged in advocacy to "some" or "great" extent	Educating policymakers	38%
	Discussing local, state, and federal policy issues	46%
	Offering training to board members on advocacy activities	28%
	Joining a coalition or network to advocate policy positions	32%

*FIGURE 9* **Board Engagement in Fundraising Activities**
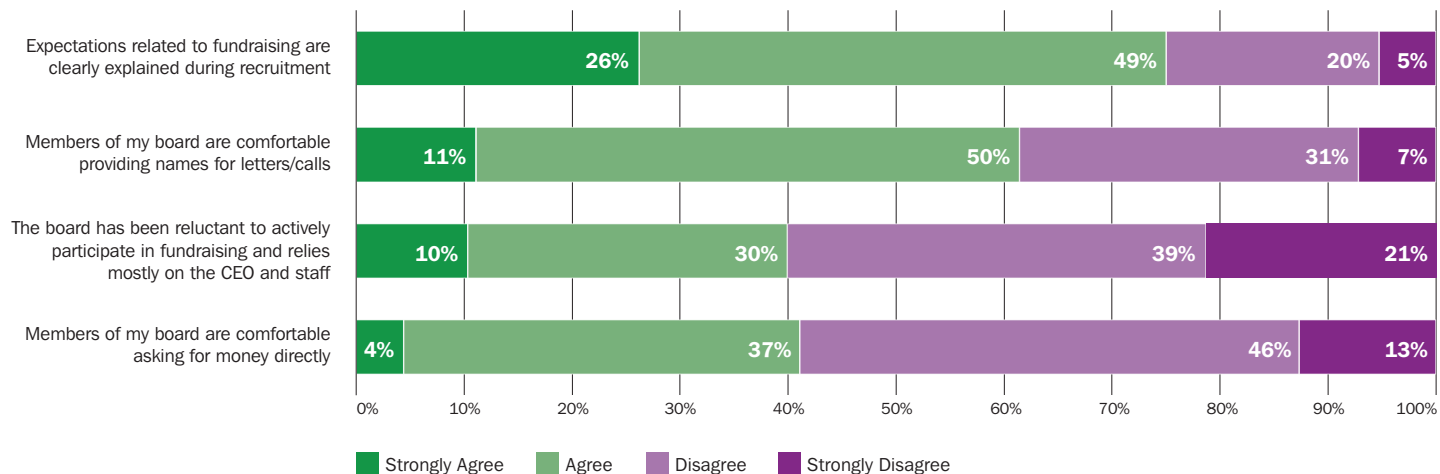
Advocacy Work

There is a great deal of confusion surrounding advocacy by nonprofits. Too often, public charity boards believe that engaging in advocacy of any kind will endanger their tax-exempt status, when the truth is that all nonprofit organizations can advocate for their cause, with the exception of private foundations. According to the National Council of Nonprofits, "Not only is lobbying a right of nonprofits, it is a duty. While there are strict regulations prohibiting nonprofits from supporting or campaigning against a candidate for office, nonprofits can and should speak up on matters of concern to the organization and the community it serves."[6]

To begin exploring board member roles in nonprofit advocacy work, BoardSource asked chief executives about the extent to which their board members educate policymakers, discuss policy issues, network with other organizations to influence policy, and receive training on advocacy opportunities (see Figure 10). We found that 40% of boards have not received any training on advocacy roles and responsibilities, and 41% have no experience networking with other groups to advocate on behalf of the sector or organizational-specific issues. Only 13% of chief executives report having a public policy or advocacy board committee.

FIGURE 10 **Board Engagement in Public Policy or Advocacy Activities**

[6] Source: http://www.councilofnonprofits.org/telling-our-story/myths-about-nonprofits
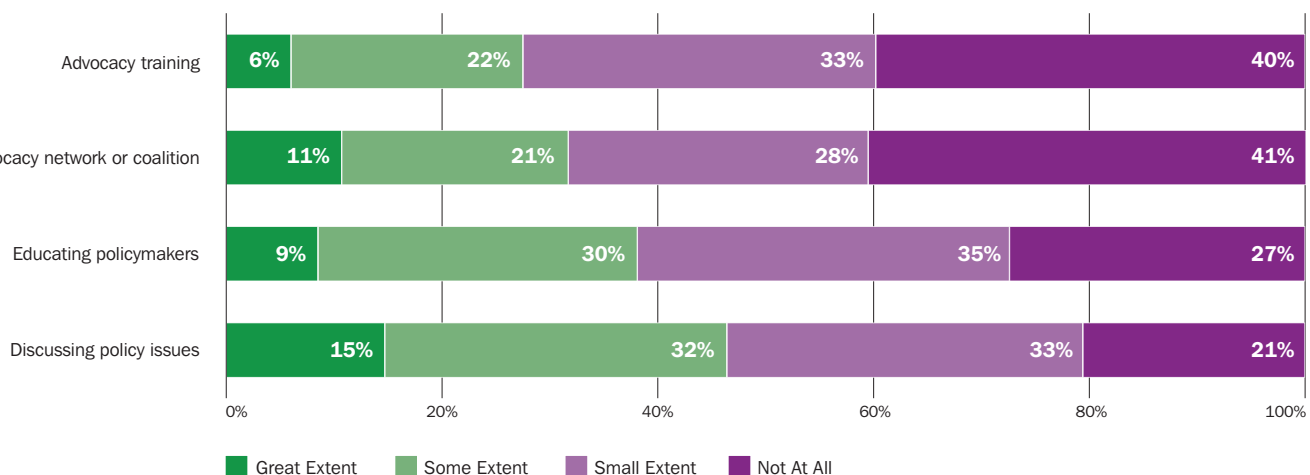
7

Board Culture
KEY FINDINGS & TRENDS

Diversity and Inclusion

Although most respondents (71%) agree that increasing the racial/ethnic diversity on the board would help the organization advance its mission, only 26% of chief executives are satisfied with the level of racial/ethnic diversity on their boards. More nonprofit leaders express satisfaction with board gender diversity (64%) and age diversity (62%). Yet, the majority of respondents agree that increasing racial/ethnic, gender, and age diversity on the board would bolster their efforts to advance the organization's mission.

The *BoardSource Nonprofit Governance Index* began tracking implementation of diversity and inclusion policies and practices in 2010. Over the past two years, we have seen little movement in the percentage of boards adopting such practices as diversity training, inclusive policies, and incorporating diversity as a core value (see Figure 11). While respondents report low representation and low implementation of inclusive practices, they give a high assessment of diverse interactions on boards. For example, 74% of chief executives indicate that "diverse members participate in developing the board's most important policies" to "some extent" or "great extent." One clue to the disparity may be perception: While chief executive perceive a high degree of engagement with diverse board members and report it as such, when we asked whether the board has developed a detailed plan to create an inclusive culture, a more concrete measure not subject to interpretation, only 17% report yes.

Shared Leadership

In 2012, the *BoardSource Nonprofit Governance Index* survey was expanded to include several "shared leadership" items designed to capture unique facets of boardroom interpersonal support and collaborative decision making. The concept of *shared leadership* has been defined as "a dynamic, interactive influence process among individuals in groups for which the objective is to lead one another to the achievement of group or organizational goals or both."[9]

As illustrated in Figure 12, board member contributions and respectful listening appear to be high, but nearly half of all chief executives report that "generally conversations are driven by a few individuals." Also, board member peer support is low. Only 55% of chief executives "agree" or "strongly agree" that board members coach and teach each other, and only 51% "agree" or "strongly agree" that board members help develop each other's strengths.

FIGURE 11 **Inclusion policies and practices on boards 2010–2012**
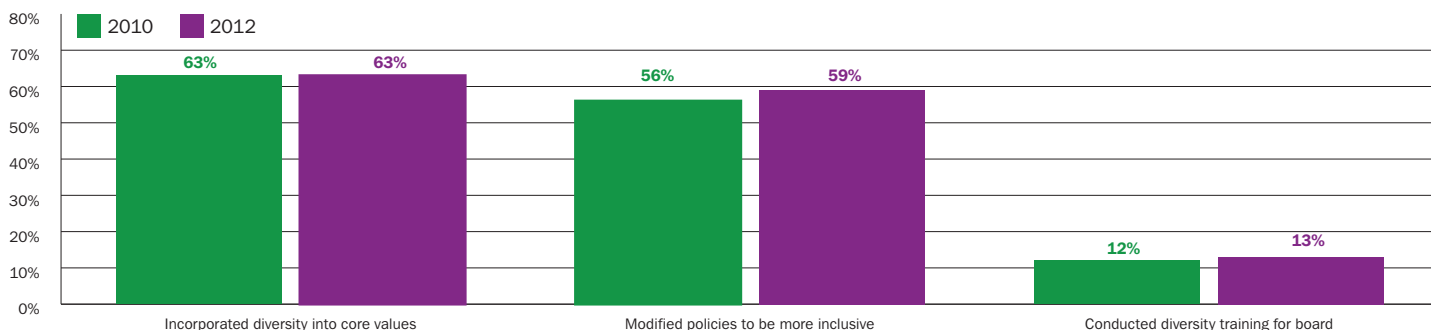
[9] Pearce, C.L. and Conger, J.A. (2003). *Shared Leadership: Reframing the Hows and Whys of Leadership.* Thousand Oaks, CA: Sage Publications, Inc.

Table 8. Board Culture
DATA AT A GLANCE

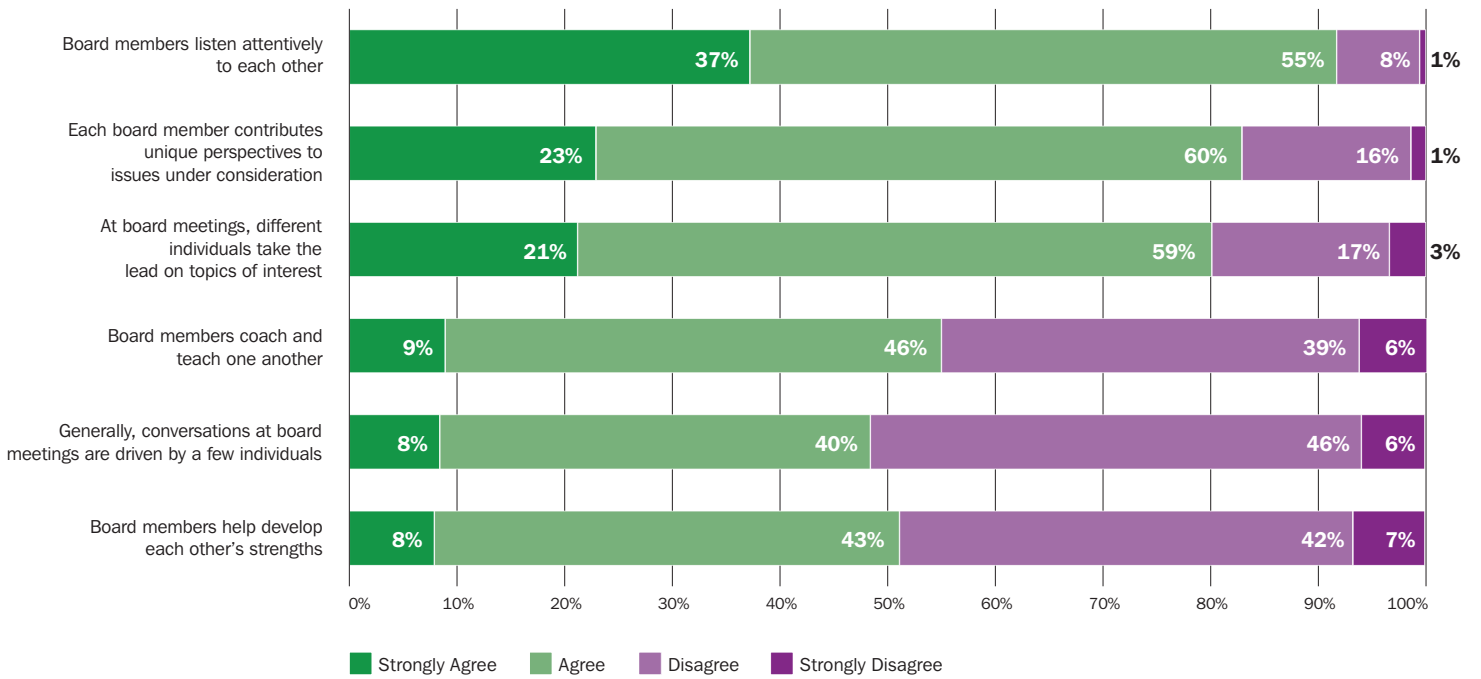| Key Variables		Percent
Board Diversity		
Satisfaction with current level of diversity (percent responding "satisfied" or "very satisfied")	Age diversity	62%
	Gender diversity	64%
	Racial/ethnic diversity	26%
Expanding diversity would help advance mission (percent responding "some" or a "great" extent)	Age diversity	62%
	Gender diversity	51%
	Racial/ethnic diversity	71%
Policies and practices (percent responding "yes")	Diversity is part of organization's core values	63%
	Conducted diversity training for board	13%
	Modified recruitment to reach members of diverse backgrounds	58%
	Discussed values and benefits of expanding board diversity	74%
Inclusive Culture		
Policies and practices (percent responding "yes")	Modified organizational policies and procedures to be more inclusive	59%
	Developed detailed action plan to create inclusive culture	17%
Engagement and interpersonal dynamics[7] (percent responding "some" or "great" extent)	Engaged diverse members in developing board's most important policies	74%
	Demonstrated that the board values contributions from diverse individuals	84%
	Board members socialize with members from diverse backgrounds	66%
	Members take a personal interest in board members from diverse backgrounds	71%
Shared Leadership[8]		
Contributions and support (percent responding "agree" or "strongly agree")	Board members coach and teach one another	55%
	Board members help develop each other's strengths	51%
	At board meetings, different individuals take the lead on topics of interest	80%
	Each board member contributes unique perspective to issues under consideration	83%
	Generally, conversations at board meetings are driven by a few individuals	48%

[7] Inclusive interpersonal dynamics measured via the social and functional inclusion scale of Fredette, C., & Bradshaw, P. (in review). *From diversity to inclusion: A multi-method examination of diverse non-profit boards.*

[8] Items for the shared leadership scale were adapted from Avolio, B.J., Sivasubramaniam, N., Murry, W.D., Jung, D., and Garger, J.W. (2003). Assessing shared leadership: Development and preliminary validation of a team multifactor leadership questionnaire, pp 143-172. In Pearce, C.L. and Conger, J.A., Eds., *Shared Leadership: Reframing the Hows and Whys of Leadership.* Thousand Oaks, CA: Sage Publications, Inc.

FIGURE 12 **Distribution of Shared Leadership Responses**

	Strongly Agree	Agree	Disagree	Strongly Disagree
Board members listen attentively to each other	37%	55%	8%	1%
Each board member contributes unique perspectives to issues under consideration	23%	60%	16%	1%
At board meetings, different individuals take the lead on topics of interest	21%	59%	17%	3%
Board members coach and teach one another	9%	46%	39%	6%
Generally, conversations at board meetings are driven by a few individuals	8%	40%	46%	6%
Board members help develop each other's strengths	8%	43%	42%	7%

8

Board Performance

Governance Knowledge

Based on chief executive responses, board members have demonstrated a modest increase in understanding their legal and governance responsibilities, as compared to *Governance Index* data collected two years ago. In 2012, 62% of respondents felt the board was "well informed" or "very well informed" of its responsibilities, compared to 58% in 2010. Still, the data show a sizeable percentage of boards with limited knowledge of their basic roles and responsibilities. More than one-third of chief executives report that board members are "somewhat

informed" and 4% of board members are rated as "not well informed." However, data also demonstrate that boards with a formal orientation process effective in bringing board members "up to speed," are more likely to have knowledgeable board members. More than 70% of chief executives with a structured board orientation process describe their board members as "very well informed" or "well informed." Only 43% of chief executives without a structured board orientation process describe their board as "very well informed" or "well informed."

FIGURE 13 **Board knowledge of governance and legal responsibilities for organizations with and without structured board member orientations.**

Structured Orientation: Very well informed 18%, Well informed 53%, Somewhat informed 27%, Not well informed 1%

No Structured Orientation: Very well informed 4%, Well informed 39%, Somewhat informed 48%, Not well informed 8%

Legend: Very well informed | Well informed | Somewhat informed | Not well informed
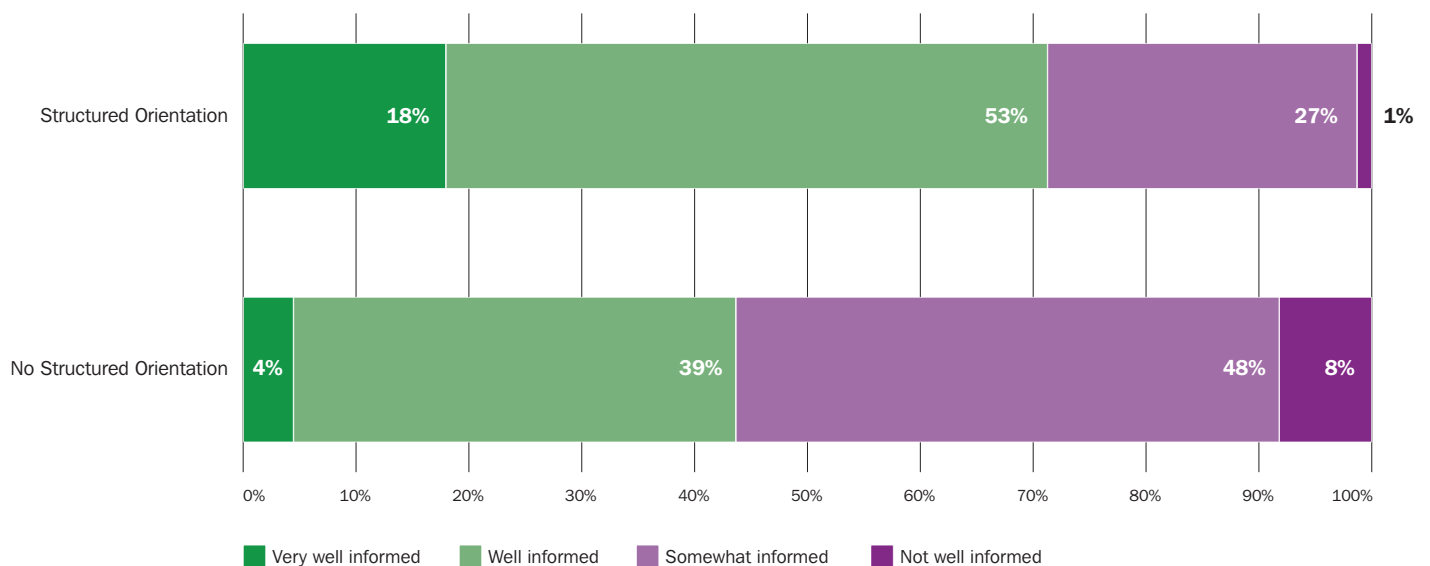
FIGURE 14 **Report Card for Ten Basic Board Responsibilities***

Responsibility	A	B	C	D	F
Mission	59%	29%	10%	2%	
Financial Oversight	54%	27%	15%	4%	
Legal/Ethical Oversight	36%	36%	23%	5%	1%
CEO Support	34%	33%	21%	9%	3%
CEO Evaluation	30%	28%	24%	12%	5%
Strategy	19%	41%	27%	12%	2%
Monitor Performance	14%	37%	34%	13%	2%
Recruitment	8%	25%	37%	25%	5%
Community Relations	6%	26%	39%	25%	4%
Fundraising	5%	19%	30%	35%	10%

Legend: ■ A ■ B ■ C ■ D ■ F

*As reported by chief executives.
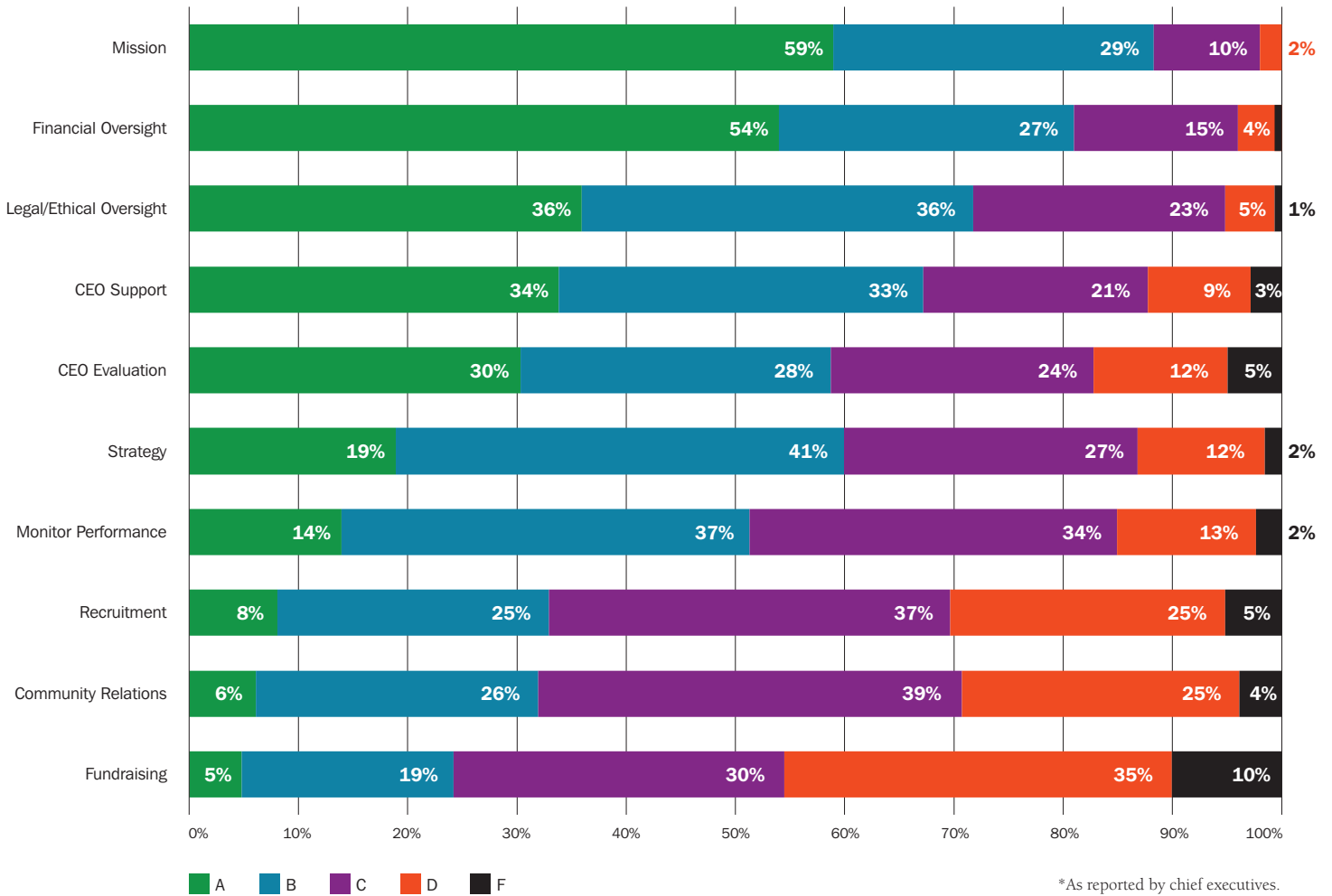
Performance of Basic Responsibilities

BoardSource asked CEOs to assess their board's performance in the responsibilities outlined in the BoardSource publication, *Ten Basic Responsibilities of Nonprofit Boards*. CEOs rated their boards highest in their understanding of the organization's mission. CEOs also ranked boards high on the two major fiduciary duties of financial and legal/ethical oversight. This year, as in 2010, boards received a low grade for fundraising. A concomitant low score in community relations seems to indicate that CEOs view their boards as doing better with their internal responsibilities than those that are externally facing.

Further research will examine the grades in the "Board Report Card" (Figure 14) and how boards that are highly rated by their CEO in these areas perform in other areas of interest, such as recruitment, orientation, leadership development, and diversity and inclusion.

Comparative Board Intelligence
Table 9. Key Variables by Nonprofit Type
(Public Charity, Association, Foundation)

	Public Charities (n=930)	Associations (n=191)	Foundations (n=89)
Board Size and Demographics			
Average board size	16.2	16.0	15.3
Board members elected by current board	76%	16%	75%
Female	46%	42%	43%
Race/ethnicity — Caucasian	82%	87%	83%
Non-Caucasian	18%	13%	17%
All Caucasian board	24%	39%	39%
Age — Under 40 years	15%	14%	10%
41-64 years	70%	79%	70%
65 years or older	15%	8%	22%
Terms and Committee Structure			
Average number of years per term (board members)	3.0	2.7	3.3
Limit on consecutive terms served (board members)	1.8	1.5	1.9
Average number of committees	5.2	7.1	5.4
Executive Committee	81%	74%	72%
Audit Committee	25%	21%	37%
Finance Committee	35%	32%	47%
Finance & Audit Committee combined	50%	41%	30%
Governance Committee	15%	16%	16%
Nominating Committee	24%	60%	17%
Governance & Nominating Committee combined	43%	15%	40%
Fundraising/Development Committee	64%	17%	53%
Meetings			
Average number of board meetings/year	7.4	6.0	6.3
Boards with 75% or greater attendance	85%	97%	96%
Records/minutes of board and committee actions	98%	100%	99%
Percent of time spent on committee or staff reports	36%	28%	35%
Consent agenda	58%	66%	66%
Dashboard report	44%	39%	35%

Comparative Board Intelligence

Table 9. Key Variables by Nonprofit Type
(Public Charity, Association, Foundation) (CONTINUED)

Accountability Policies			
Written document retention and destruction policy	87%	87%	79%
Written conflict-of-interest policy	91%	83%	90%
Written whistleblower policy	90%	82%	86%
Executive Evaluation and Compensation			
Formal, written performance evaluation of the chief executive	72%	68%	67%
Comparable data when determining chief executive compensation	71%	65%	66%
Full board approval of chief executive's compensation	73%	68%	73%
IRS Form 990			
Provide board members with a copy of Form 990 before filing	84%	78%	83%
Post Form 990 to Web	68%	52%	78%
Fundraising			
Organizations conducting fundraising	91%	40%	76%
Boards requiring personal financial contribution	79%	43%	63%
Average percent of board giving	86%	60%	86%

Comparative Board Intelligence
Table 10. Key Variables by Organizational Budget Size

		Less than $1 million annually (n=416)	$1-9.9 million annually (n=647)	$10 million or more annually (n=277)
Board Size and Demographics				
Average board size		14.1	16.3	18.9
Board members elected by current board		64%	65%	70%
Female		51%	45%	37%
Race/Ethnicity	Caucasian	83%	82%	82%
	Non-Caucasian	17%	18%	18%
	All Caucasian board	36%	25%	28%
Age	Under 40 years	18%	14%	9%
	41-64 years	68%	73%	70%
	65 years or older	14%	13%	21%
Terms and Committee Structure				
Average number of years per term		2.8	3.0	3.3
Limit on consecutive terms served		1.6	1.8	1.8
Average number of committees		5.1	5.6	6.0
Executive Committee		72%	81%	84%
Audit Committee		11%	26%	47%
Finance Committee		32%	36%	50%
Finance & Audit Committee combined		42%	50%	42%
Governance Committee		13%	14%	20%
Nominating Committee		28%	28%	31%
Governance & Nominating Committee combined		31%	41%	43%
Fundraising/Development Committee		55%	59%	51%
Meetings				
Average number of board meetings/year		7.4	7.0	6.8
Boards with 75% or greater attendance		86%	90%	87%
Records/minutes of board and committee actions		98%	99%	99%
Percent of time spent on committee or staff reports		33%	35%	36%
Consent agenda		55%	59%	70%
Dashboard report		32%	45%	53%

Comparative Board Intelligence
Table 10. Key Variables by Organizational Budget Size (CONTINUED)

Accountability Policies			
Written document retention and destruction policy	76%	88%	91%
Written conflict-of-interest policy	82%	90%	97%
Written whistleblower policy	79%	90%	98%
Executive Evaluation and Compensation			
Formal, written performance evaluation of the chief executive	61%	77%	79%
Comparable data when determining chief executive compensation	53%	75%	90%
Full board approval of chief executive's compensation	72%	72%	74%
IRS Form 990			
Provide board members with a copy of Form 990 before filing	78%	80%	87%
Post Form 990 to Web	59%	67%	68%
Fundraising			
Organizations conducting fundraising	83%	80%	82%
Boards requiring personal financial contribution	74%	75%	76%
Average percent of board giving	80%	84%	90%