A Better Way to Deal With the Leadership Crisis
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Abstract
Too few boards are doing a good job of helping nonprofit groups carry out their missions, explains Francie Ostrower in this Chronicle of Philanthropy commentary. They need to be more active in fund raising, monitoring programs, community relations, educating the public, and monitoring the board's own performance.

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The nonprofit world has grown increasingly concerned in recent years about the potential leadership crisis. Baby boomers are expected to retire in large numbers, and competition for young people will be intense as government and businesses also seek to replace the huge wave of people retiring. As a result, the nonprofit world has focused on what it takes to recruit and retain new chief executives.

But focusing on chief executives is not enough. The discussion needs to expand to include boards of directors. Indeed, problems with boards contribute to difficulties recruiting and retaining strong executive directors.

For instance, the "Daring to Lead" study of nonprofit leaders, conducted by CompassPoint and the Eugene and Agnes E. Meyer Foundation, found that boards' lack of fund raising is a major source of executive burnout. This lack, however, is just one part of a larger problem of board leadership uncovered by the Urban Institute's National Survey of Nonprofit Governance. Including 5,115 nonprofit organizations, the study is the first national representative survey of nonprofit governance.

The larger problem we found is that too few boards are doing a good job of helping nonprofit groups carry out their missions. There are only two activities that more than half of all respondents' boards very actively engage in — and even those are just slight majorities: Fifty-two percent said they are very actively engaged in financial oversight, and 52 percent said they are very active in setting organizational policy. (Among those with paid leaders, 54 percent said their boards very actively evaluate the chief executive.)

According to the nonprofit leaders we surveyed, only 29 percent heavily participated in fund raising, and we also found low levels of engagement in many other roles: Only 32 percent were very actively engaged in monitoring organizational programs, 27 percent in community relations, 44 percent in planning, 23 percent in educating the public about the organization and its mission, and 17 percent in monitoring the board's own performance.

In some of these roles, substantial percentages (24 percent to 45 percent) of nonprofit leaders did not even rate their boards as "somewhat active." Those included fund raising, but also monitoring programs, planning, community relations, and educating the public.

Particularly troubling is that almost half of the nonprofit organizations say their boards do not monitor their own performance. Furthermore, more than one-fourth said that their boards do not assess whether the organization is accomplishing its mission, either on a yearly basis or every couple of years.

Recruitment of new members is a key component of leadership challenges at the board level: Seventy percent of leaders surveyed reported at least some difficulty attracting new members, and 20 percent had a lot of difficulty. Although widespread, the recruitment problem is more severe among the midsize and smaller organizations that make up most of the nonprofit world. Problems of recruitment and board performance are interconnected, because boards that had greater trouble attracting new members also had lower levels of board engagement.
Looking at boards of midsize groups — those with $500,000 to $5-million in annual expenses — for a study released in May, Urban Institute researchers have underscored the impact of board performance on levels of discontent among nonprofit executives, and not only in the area of fund raising. Most top executives say their boards do a fair or poor job not only of fund raising, but also of self-monitoring. In addition, more than a quarter of executive directors rate their boards as fair or poor in evaluating the executive director, planning, monitoring programs, community relations, and educating the public about the organization.

The one role in which most nonprofit leaders rated their board’s performance as excellent was respecting the boundaries between board and staff roles. While boards are often warned against violating those boundaries, nonprofit executives are apparently less worried about board interference than about the board’s failure to be more active in carrying out its obligations.

Nonprofit leaders express greater satisfaction with boards when those boards are more active. For instance, the percentage of top executives who rate their board as excellent in monitoring programs rises from 2 percent for boards that are not actively engaged to 55 percent among boards that are very active. Greater difficulty recruiting board members was also associated with lower ratings of board performance by the organization’s top executive.

What, then, can be done to strengthen board engagement?

No single solution will solve the problem, but the Urban Institute’s research points to steps that boards can take immediately:

- Institutionalize a procedure for the board to regularly monitor its own performance. To identify and correct performance weaknesses, boards should schedule regular examinations and find ways to train board members and put in place needed changes.
- Carefully assess the criteria used to recruit new members, because these influence how active the board will be. Keep in mind that individual criteria are related to greater board engagement in some activities but not others, so boards should try to attract well-rounded members and seek a range of backgrounds and skills.
- Encourage all board members to contribute to setting the board’s agenda rather than concentrating influence solely in the hands of the top executive or the board chair or the two. Many nonprofit groups do not do this, but unless they do, why would we expect their board members to feel that their involvement can make a difference?
- Nonprofit groups should think twice before making the executive director a voting member of the board. Our research suggests that blurring this line tends to undermine active board leadership.

Nonprofit groups also need assistance in recruiting new members and widening the recruitment pool, including collective efforts that go beyond the steps any individual organization can take.

To inform such efforts, more research is needed to understand the pool of potential board members (how many are willing and ready to serve) and how charities recruit board members now. Especially pressing is the need to understand why boards do not include more older people and members of ethnic and racial minority groups, and to find ways to overcome barriers to greater inclusion.

Nonprofit boards have been receiving greater public scrutiny from the media, the Internal Revenue Service, policy makers, and the public. Most of this attention focuses on the board’s role in ensuring compliance with the law and preventing fraud.

Nonprofit groups, however, need more from their boards. As pressure on nonprofit groups to demonstrate their accountability and effectiveness intensifies, it is more important than ever that the scope of board membership focus not just on following the law, but also on leading organizations to do the best they can in serving society.

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Other Publications by the Authors

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