ASAE FOUNDATION RESEARCH SERIES

WHAT MAKES HIGH-PERFORMING BOARDS

Effective governance practices in MEMBER-SERVING ORGANIZATIONS

Executive Summary

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What Makes High-Performing Boards: Executive Summary

Associations and organizations with dues-paying members serve a broad swath of society, ranging from professional and occupational societies, to trade associations, to arts and cultural institutions, labor unions, producers' cooperatives, sports and recreational clubs, chambers of commerce, social and fraternal clubs, and academic and learned societies. They haven't been studied nearly as much as charities have. But they are also led by boards, and good governance matters equally to them.

For these organizations, this study offers a solution to the anecdotes and conventional wisdom that dominate the discussion of good governance. In other words, we're about to demonstrate that good governance relies on a lot more than board size. For our readers interested in benchmarking, we begin by testing the frequency and variation of recommended practices across different kinds of organizations. Where mission, size, or tax status matters, we report it—but don't expect these organizational features to matter as much as you would expect. Instead, we go further by using analytic techniques (presented in a clear and understandable way) to identify the good governance practices that matter regardless of differences in organizational size, staffing, tax status, and other circumstances. The results will help you understand patterns of related behaviors within organizations that support high board performance and that are intentional and not dependent on sector or capacity.

BASIS FOR OUR RESULTS AND KEY FINDINGS

The results come from a survey of 1,585 nonprofit CEOs and executive directors fielded by Indiana University and the ASAE Foundation between November 2012 and February 2013. Using ASAE members and a stratified random sample of nonmembers, we produce a generalizable study of board practices in U.S.-based nonprofit organizations of any tax status that serve a membership (results are limited to organizations that file a 990 information return, and those with at least one paid staff member; margin of error: 2–3 percent).

For each member-serving organization, the chief staff person (referred to herein as "CEO") answered questions addressing the organizational environment, board structure, board selection procedures and challenges, the deliberative processes and the governance models they employ, board relations with staff, members, chapters, and other stakeholders, board development and self-assessment practices, and CEO assessments of board performance. Corresponding financial data drawn directly from IRS 990 forms was added later so that we could compare organizations based on budget size.

Here are some of our key findings:

The diversity of the association sector means there will be no single recipe for a high-performing board.

The member-serving sector is large, diverse, and complex. Governance practices will reflect this diversity. The competitiveness of an organization's environment, its geographic scope, complexity, and budget dynamics influence not just board size and structure, but also a board's ability to recruit the members it needs and secure the stable staffing on which boards depend.

The full study goes into detail about the differences that exist among the various demographic segments within the member-serving industry, allowing readers to zero in on how their boards uniquely compare.

Tax status, age, and membership structure shape boards in important ways.

For example, while half of 501(c)(3) charities and 501(c)(6) business leagues do not hold competitive elections, most 501(c)(5) labor organizations do, as do most chapter-based organizations.

Board recruitment is still a challenge.

As other studies have also found, most CEOs report difficulty in finding qualified board members. Qualities most in demand are time availability, strategic thinking and leadership skills, fundraising or giving abilities, and an interest in the organization's mission. The study also challenges some conventional expectations about term limits.

Many boards put a limited emphasis on performance measurement.

While the majority of member-serving boards follow some or all of the governance practices recommended in the expert literature, we found plenty of gaps. Half of boards do not set performance goals for themselves or assess their own performance. Our data finds some surprising practices that are associated with board dysfunction.

High-performing boards have a strong strategic focus.

More than half of member-serving boards spend at least 25 percent of their meeting time on strategic thinking and discussion, and two thirds work jointly with staff to develop a strategic plan. This strategic focus pays off in higher CEO ratings across nearly all of our performance measures.

Many high-performing boards are associated with growing organizations.

Boards serving organizations with growing membership or budget numbers were consistently rated higher on most performance measures. While we would need more information to understand whether CEOs are simply rewarding boards of healthier organizations with better ratings, or whether healthy boards can claim the credit for the growth, the connection between strong boards and organizational performance is clear.

CEO ratings reflect the value of training staff and board.

Professional training of staff supports board performance. For example, organizations with staff who are ASAE members were considerably more likely than non-ASAE members to use board development tools.

Similarly, board training and development was strongly associated with higher board performance on several measures compared in the full report.

Staff turnover is linked to poor performing boards.

Nearly half of our respondents were planning to leave their position. Out of this group, 29 percent plan to do so in the next three years. CEOs planning to leave the organization were highly dissatisfied with board performance.

Board size matters some, but board focus matters most.

Refuting some of the conventional wisdom about big boards versus small boards, we found that larger boards were more likely to be rated high-performers. And the smallest boards were the most likely to report difficulty in finding qualified people to serve and in having more turnover than optimal. But we also found that boards with 12–20 members came from fiscally healthier organizations and were more likely than either larger or smaller boards to be using good governance practices. We expect that we're seeing the impact of both board capacity—having enough board members to fulfill fiduciary duties—and intentional design, where organizations that limit board size are also following other recommended good governance practices.

KEY RECOMMENDATIONS

Using this information, our key recommendations to build a high-performing board follow:

1. **Practice careful board member selection**
2. **Train staff in board support**
3. **Think strategically**
4. **Practice a culture of learning and accountability**

The full study, *What Makes High-Performing Boards*, by ASAE's Association Management Press provides more details and analysis. The following is a list of data tables and charts included in the full report.

LIST OF FIGURES