

# **Nonprofit Board Performance: Board Members' *Understanding Their Roles and Responsibilities***

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*Using survey data from nonprofit CEOs and Board Chairs this paper presents a new concept for measuring NPO effectiveness by examining the impact of certain roles and responsibilities, specifically internal board performance (practices that take place within the board room) on external performance (practices that take place outside of the board room). Data from the BoardSource Nonprofit Governance Index Survey provides information on twelve board practices. Path analysis was used to investigate the impact of internal board practices on external action. Regression analyses demonstrate how internal board functioning impacts the organization's ability to fundraise, improve community relations and outreach, and recruit new board members. Results indicate the strongest impact on the external board performance is from board members' understanding their roles and responsibilities.*

## **INTRODUCTION**

Board members are charged with the fiduciary responsibility of governing nonprofit organizations (NPOs). This responsibility implies an action orientation consisting of numerous duties, but, in general ensuring that the organization remains true to its mission, functions within the confines of applicable laws, and operates as a public trust in a financially responsible manner (Axelrod, 2005; Holland & Jackson, 1998; Miller-Millesen, 2003; Preston & Brown, 2004). Given these responsibilities it is not surprising that a positive relationship exists between overall board performance and the effectiveness of NPOs (Bradshaw, Murray & Wolpin, 1992; Carver, 2006; Green & Griesinger, 1996; Herman & Renz, 2000; Jackson & Holland, 1998). According to Bright (2001) board performance creates a framework for the success or failure of the organization. Success is traditionally measured by how well the organization delivers the services and programs set forth by its mission, and not solely by financial performance (Hansmann, 1987). However, NPO governance is diverse and remains poorly understood in part due to the lack of adequate empirical data, which would enable more valid generalizations (Ostrower & Stone, 2010).

Using survey data from the BoardSource 2012 Nonprofit Governance Index Survey for Chief Executives and for Board Chairs (hereafter known as the "Index"), this study will use 12 board practice

measures to investigate effective board performance. Board governance practices were delineated into two aspects: (1) activities that take place within the boardroom, such as financial oversight and strategic planning; and (2) three actions that take place beyond the boardroom, fundraising, community relations, and recruiting new board members (Bernstein & Davidson, 2012). Two research questions emerged: first, do effective internal governance board practices, in NPOs, impact performance of external board practices?; and second which specific internal board activities impact the external governance actions of fundraising, community relations and outreach, and recruiting new board members?

## **TOWARD A CONCEPTUAL MODEL**

Numerous theories have been developed that examine and explain the work of nonprofit boards (e.g. agency theory (Fama & Jenson, 1983), resource dependency theory (Pfeffer & Salancik, 1978), group/decision processes theories (Brown, 2005), institutional theory (Guo, 2007; Miller-Millesen, 2003) democratic theory (Conforth & Edwards, 1999; Guo, 2007; Guo & Musso, 2007), and strategic management theory (Conforth & Edwards, 1999)). Brown and Guo (2010) note that theoretical frameworks ascribed to nonprofit boards neither capture all the roles attributed to nonprofit boards nor provide an effective tool to explain why certain practices are prevalent.

It is important to understand that the Index data used in this study was examined to develop conceptual knowledge of the relationships between internal board member governance practices and external governance practices; therefore, this study does not draw heavily on theory, but instead, on practice. The tests performed were specifically utilized to determine if relationships exist among the variables. While the Index does not offer access to any external validating construct, like fundraising data or financial success, the study still offers a new way to examine board practices. The study is exploratory and we acknowledge the tentative nature of the findings; however, an examination of effective internal governance practices in mission driven NPOs can inform board members, staff and researchers about the board's ability to be successful in their work beyond the boardroom.

In building a conceptual model for this study, a literature search for empirical articles using a broad range of terms related to NPO board practices that promote effectiveness was conducted. Organizational effectiveness is defined in a variety of ways in the literature on nonprofit boards. Herman and Renz (2008) acknowledge that determining nonprofit organizational effectiveness continues to be a challenge particularly because effectiveness is an elusive concept and frequently based on self-reported ratings. Numerous empirical studies of boards (Bradshaw et al., 1992; Callen, Klein & Tinkelman, 2010; Chait, Holland, & Taylor, 1991; Cornforth, 2001; Green & Griesinger, 1996; Herman & Renz, 1998; Herman, Renz, & Heimovics, 1996; Jackson & Holland, 1998) have focused on the relationships among board practices/characteristics/behaviors, board effectiveness, and organizational effectiveness. These studies have varied all three of these factors, and therefore, have had differing outcomes.

There is an extensive body of literature suggesting board "best practices", such as having a formalized system of internal accountability (Gibelman, Gelman & Pollack, 1997), engaging in strategic planning (Brown & Guo, 2010), sharing a common vision (Bradshaw et al., 1992), and providing sound financial management (Axelrod, 2005) (see further comparisons and summary of good governance literature in Miller-Millesen, 2003). The use of such practices positively impacts perception of board effectiveness (Bradshaw et al., 1992). Green and Griesinger (1996) found a significant relationship between board performance and organizational effectiveness when the board engaged in policy formation, strategic planning, program monitoring, financial planning and control, resource development, board development, and dispute resolution. Brown (2005) found organizations that are judged to be higher performing also reported having high-performing boards when the boards were more contextual, educational, interpersonal, and strategic. Ostrower and Stone (2006) went further and identified four board traits (board composition, relationship between boards and staff, roles and responsibilities, and board effectiveness) that positively impact organizational effectiveness. Ostrower and Stone (2010) found that "board roles influence board effectiveness, and the board effectiveness probably does contribute to general organizational effectiveness" (p. 902). In addition, Cornforth's (2012) framework suggested, "that

board roles influence board effectiveness, and that board effectiveness probably does contribute to general organizational effectiveness” (p. 902). Herman and Renz (2000) found that effective boards improve organizational performance. In summary, the literature demonstrates a significant relationship between board performance and nonprofit organizational effectiveness. Therefore, investigation of practical means of improving board performance would be of value to nonprofit executives and board members.

We seek to build on the studies, which demonstrated that organizational effectiveness is impacted by board performance, by delving into the specific board processes and practices that characterize an effective board in mission-driven nonprofit organizations. The nonprofit practitioner literature suggests a set of roles and responsibilities characteristic of good governance. BoardSource, a national organization focused exclusively on nonprofit governance, makes available on their website ([www.boardsource.org](http://www.boardsource.org)) a list of the ten basic responsibilities of nonprofit board members. These include: (1) determining the mission and purpose; (2) selecting the CEO; (3) supporting and evaluating the CEO; (4) ensuring effective planning; (5) monitoring and strengthening programs and services; (6) ensuring adequate financial resources are available for the organization to carry out its mission; (7) providing sound financial management; (8) engaging in building a competent board; (9) adhering to legal standards and ethical norms; and (10) advancing the organization’s public image (Ingram, 2009). Brown and Guo (2010) also examined board member roles by asking community foundation executives to prioritize the most important roles of their board members. In order of importance, those identified were fund development, strategy and planning, financial oversight, public relations, board member vitality, policy oversight, and relationship to the executive/staff. According to Miller-Millesen (2003), no one theory encompasses all nonprofit board responsibilities; nor is there a “one-size fits-all model of board governance because context arguably influences behavior” (p. 523). Therefore, the focus is on the practical, not the theoretical, implications of board member roles and responsibilities.

## **THEORY DEVELOPMENT AND RESEARCH QUESTIONS**

The anticipated paths presented below are extensions of the conceptual models described above. We investigate these models further in order to unpack the relationships that may exist between the effective internal and external governance practices. Multiple stakeholders should be used to judge the effectiveness of the same NPO because of their conflicting goals (for example, Herman & Renz, 1997; 1998). This study considers CEOs (often known as the Executive Director or highest level paid staff person) and Board Chairs (BCs) independent of each other as a means of reducing the impact of self-reported assessments, which tend to suffer from biased judgments or *halo effect* (these issues are further developed in the Methods section). Therefore, we analyzed each of our anticipated paths based on responses from both the CEO and board chair. We acknowledge that the reasoning presented for each anticipated path may be considered brief because these relationships are not thoroughly explored in the literature. Following the hypotheses and results, we report practical suggestions and directions for further research.

### **Internal and External Board Performance**

Internal performance assesses the board’s internal tasks and duties, by both the CEO and BC of the same nonprofit organization, using the following items: (1) understanding the organization’s mission, (2) strategic planning and thinking strategically, (3) knowledge of the organization’s programs, (4) monitoring organizational performance and impact, (5) legal and ethical oversight, (6) financial oversight, (7) evaluating the chief executive, (8) providing guidance and support to the chief executive, and (9) understanding the board’s role and responsibilities. It is important to note that item (9), *understanding* the board’s roles and responsibilities, differs from the above discussion and list of suggested board member roles and responsibilities in that here we focus on whether or not these roles and responsibilities are clearly understood by the board member.

Absent from the above review of board practices is a detailed examination of three key external board practices: recruiting new board members, community relations and outreach, and fundraising. More than

thirty years ago, Provan (1980) noted that a strong emphasis tends to be placed on the external role of the board when a NPO faces a highly uncertain environment. This remains true today as many NPOs emerge from the recent economic downturn and compete for a variety of resources, including donations. In order to maximize an NPO's ability to fundraise, recruit and improve community relations and outreach, it is anticipated that boards must strengthen the internal boardroom governance practices. Thus,

*Path 1a. Effective internal board member governance practices will positively impact the NPO's ability to engage in external governance practices as evaluated by the board chair.*

*Path 1b. Effective internal board member governance practices will positively impact the NPO's ability to engage in effective external governance practices as evaluated by the CEO.*

### **Recruiting New Board Members**

The NPO board of directors must "identify, screen and select new board members" (Pointer & Oriekoff, 2002, p. 99). Herman et al., (1996) found that the use of a board development committee (or nomination committee) positively impacts organizational performance. Ostrower's (2007) Urban Institute report found that directing greater attention to board composition and the recruitment processes builds board engagement. Using strategic recruitment techniques, conducting board member orientation sessions, and the use of effective evaluation practices resulted in more competent board members and the presence of these board members led to better board performance (Brown, 2007). We anticipate that the existence of the suggested internal board member governance practices would positively impact the NPO's ability to recruit new board members. Thus,

*Path 2a: Effective internal board member governance practices will positively impact the NPO's ability to recruit board members as evaluated by the board chair.*

*Path 2b: Effective internal board member governance practices will positively impact the NPO's ability to recruit board members as evaluated by the CEO.*

### **Community Relations and Outreach**

Engaging in community relations and outreach benefits NPOs in a number of ways, including greater visibility and name recognition. By extension, this will have a positive impact on fundraising and recruiting new board members. Gill (2005) offers parameters for defining community relations and outreach by stating that board members have a responsibility to "represent the organization and its programs positively to key stakeholders and the community at large" (p. 24). Community relations and outreach broadens the pool of potential new board applicants, which strengthens the likelihood that a successful candidate will be identified (Brown, 2007). Therefore,

*Path 3a: Effective internal board member governance practices will positively impact the NPO's relationship with and outreach to the community as evaluated by the board chair.*

*Path 3b: Effective internal board member governance practices will positively impact the NPO's relationship with and outreach to the community as evaluated by the CEO.*

### **Fundraising**

It is rare that organizations receive money unsolicited. People donate money for a reason and oftentimes that reason is because a friend or respected colleague requested the donation, especially when that friend or colleague is personally involved as a board member or volunteer within the organization. Zimmerman and Stevens (2008) noted in their large-scale study of board governance at the state level that

board members of NPOs that received training on their tasks or functions were more likely to be involved in fundraising. Brown and Guo (2010) found that NPO executives identified fund development as the number one most important role of the board. Yet, Ostrower (2007) found that only 29% of boards identified themselves as “very active” and 35% as “somewhat active” in fundraising. Therefore,

*Path 4a: Effective internal board member governance practices will positively impact the ability of the NPO to fundraise as evaluated by the board chair.*

*Path 4b: Effective internal board member governance practices will positively impact the ability of the NPO to fundraise as evaluated by the CEO.*

## METHODOLOGY

### Sample

BoardSource is a NPO dedicated to advancing the public good by building exceptional nonprofit boards. Biannually the BoardSource member organizations are surveyed using the BoardSource Nonprofit Governance Index (Index). For this current study we partnered with BoardSource and obtained the raw data from the 2012 Index. In conducting the survey, BoardSource distributed the survey to a sample of 5,052 BoardSource members with the title of Chief Executive Officer or equivalent. In response 1,341 surveys were completed, a 27% response rate. Subsequently, BoardSource sent these same CEOs a request to forward to their current board chair a modified version of the Index survey. The number of emails that were actually forwarded to BCs was not tracked. The BCs completed 473 surveys used in this analysis. The survey included multiple-choice and open-ended questions designed to collect demographic data, as well as, organizational characteristics that included board governance practices. The CEO’s were mostly Caucasian (93%) and female (64%). These demographics are detailed in Table 1. The survey did not include questions related to the demographics of the board chairs. The organizations which participated in the survey varied in size, as identified by budget, with the majority falling in the \$1 million - \$4.9 million range (37%).

**TABLE 1  
DEMOGRAPHIC CHARACTERISTICS OF THE CEOS**

Length of Time as CEO of the Organization	Less than 4 years – 22.4%; 4-7 years – 28.5%; 8-13 years – 24.3%; 14 or more years – 24.1%
Gender of CEO	Female – 63.8%; Male – 36.2%
Race/Ethnicity of CEO	African American/Black (2%); Caucasian (93%); Hispanic/Latino/Spanish (2%), and Asian (0.2%); Pacific Islander/Native Hawaiian (0.0%); two or more races (2%)
Age of CEO	Under 40 – 4%; 40-49 years – 17%; 50-64 years – 65%; 65 years or older – 14%
Budget	Under \$250,000 – 6%; \$250,000-\$499,000 – 10%; \$500,000-\$999,000 – 13%; \$1M-\$4.9M – 37%; \$5M-\$9.9M – 13%; \$10M-\$24M – 12%; >\$25M – 9%

### Measures

Internal governance practices and external governance practices were measured using Bernstein and Davidson’s (2012) validated scale. Internal Performance was measured by asking CEOs and BCs to assess, with respect to their organization, the board’s internal tasks and duties: (a) understanding of the organization’s mission, (b) strategic planning, (c) monitoring organizational performance and impact, (d) legal and ethical oversight, (e) financial oversight, (f) evaluating the chief executive, (g) providing guidance and support to the chief executive, (h) understanding the board’s roles and responsibilities, and

(i) level of commitment and involvement. External Performance was measured by assessing the board's performance on the external tasks of fundraising, community relations and outreach, and recruiting new board members.

### Data Analysis

The data was screened and tested for normality and while most of the data had some level of skewness or kurtosis, no action was taken to modify the data set. Exploratory factor analysis (EFA) was employed to verify the unidimensionality, the validity, and the reliability of the constructs. SPSS for Windows (PASW Statistics Gradpack 17.0, 2009) was used to conduct the EFA on the measures using principal axis factoring and Promax oblique rotation method. This choice was found fitting since the underlying factors were suspected to be non-orthogonal and the factors were to be used in subsequent analysis of the path relationships. The Bartlett's test of sphericity was used to explore the strength of the relations among the relationships of variables. The Kaiser-Meyer-Olkin (KMO) test was used to measure sampling adequacy and Cronbach's  $\alpha$  was calculated to determine the reliability of the constructs.

### RESULTS

Statistical analysis including the EFA yielded the means, standard deviations, factor loadings and Cronbach's  $\alpha$ 's and are shown in Table 2.

**TABLE 2**  
**DESCRIPTIVE STATISTICS FOR VARIABLES IN THE MODEL**

	CEO				Board Chairs			
	Mean	SD	Items	$\alpha$	Mean	SD	Items	$\alpha$
<b>Internal Performance</b>	2.93	.659	9	.890	3.12	.608	9	.896
<b>External Performance</b>	2.03	.821	3	.790	2.36	.728	3	.719
			Factor Loadings <sup>1</sup>				Factor Loadings <sup>1</sup>	
			1	2			1	2
<b>IP1: Understanding your organization's mission</b>	3.45	.728	.577		3.59	.621	.403	
<b>IP2: Strategic planning and thinking strategically</b>	2.68	.917	.637		2.90	.860	.772	
<b>IP3: Knowledge of your organization's programs</b>	2.73	.875	.685		3.00	.776	.515	
<b>IP4: Monitoring organizational performance and impact</b>	2.53	.963	.744		2.88	.846	.641	
<b>IP5: Legal and ethical oversight</b>	3.09	.858	.775		3.18	.867	.761	
<b>IP6: Financial oversight</b>	3.39	.806	.706		3.34	.813	.807	
<b>IP7: Evaluating the chief executive</b>	2.87	1.091	.626		3.04	.963	.744	
<b>IP8: Providing guidance and support to the chief executive</b>	2.98	.979	.508		3.20	.794	.740	
<b>IP9: Understanding the board's roles and responsibilities</b>	2.67	.900	.586		2.91	.823	.570	
<b>EP1: Fundraising</b>	1.80	1.010		.706	2.24	.911		.759
<b>EP2: Community relations and outreach</b>	2.11	.919		.853	2.41	.893		.733
<b>EP3: Recruiting new board members</b>	2.21	.989		.717	2.42	.927		.434

<sup>1</sup> Values less than .300 are not specified; n=473

The EFA verified the validity, unidimensionality, and reliability of the constructs. The Bartlett's test was highly significant ( $\chi^2=2652$  for CEOs and  $\chi^2=1926$  for BCs;  $df = 66$ ;  $p < 0.000$ ) implying that the strength of the relationship among variables is strong. The KMO measure of sampling adequacy was 0.901 for CEOs and .901 for BCs, well above the acceptable level of 0.70, indicating the data was adequate for factoring. The reliability of the two latent constructs as measured by Cronbach's  $\alpha$  exceed the 0.70 criterion. The factor loadings are well above the .300 recommendation for samples greater than 350 (Hair, Black, Babin & Anderson, 2010).

Internal performance and external performance were the constructs used in the analysis. Table 3 provides a summary of the results including model fit. For the CEOs the  $R^2$  is .556 showing that this model explains 56% of the variance in the external performance. For the BCs the model explains 62% as  $R^2$  is .619.

**TABLE 3**  
**SUMMARY OF GENERALIZED INTERNAL TO EXTERNAL GOVERNANCE PRACTICE FINDINGS**

Model Fit	CEO	Board Chairs
$\chi^2$	120.5	153.9
Df	50	50
$\chi^2 / df$	2.41	3.07
CFI	.972	.960
RMSEA	.055	.066
PClose	.256	.012
Standardized Regression	$\beta$	$\beta$
Internal Performance → External Performance	.746***	.787***

\*\*\*p<.001 and n=473

Simple regression analyses were used to understand the relationships between the internal performance items and the external performance items. The model using the data from the CEOs differed somewhat from the model developed for the BCs, as shown in Table 4, which also includes the model fit. Interestingly, the CEO and BC models differ in that only five of the independent variables have significant relationships with the dependent variables for the CEOs, while seven of the independent variables have significant relationships with the dependent variable for the BCs. For both the CEOs and the BCs the model explains 17% of the variance in fundraising while 29% of the variation in community relations and outreach for the CEOs and 28% for the BCs is explained. The model accounts for 34% of the variance in recruiting new members for CEOs and 35% for the BCs.

**TABLE 4**  
**SUMMARY OF INDIVIDUAL INTERNAL TO EXTERNAL GOVERNANCE PRACTICE FINDINGS**

Model Fit	CEO	Board Chairs
$\chi^2$	11.3	7.53
Df	6	9
$\chi^2 / df$	1.89	.837
CFI	.996	1
RMSEA	.043	.000
Standardized Regression	$\beta$	$\beta$
IP1 Mission → Community Relations	.091*	.097*
IP2 Strategy → Recruiting	.135**	.147**
IP2 Strategy → Community Relations	ns	-.104*
IP4 Monitoring Performance → Community Relations	.097*	.211***
IP4 Monitoring Performance → Fundraising	ns	.162**
IP5 Legal & Ethical Oversight → Recruiting	ns	.155***
IP7 Evaluation CEO → Fundraising	ns	.100*
IP7 Evaluation CEO → Recruiting	ns	.100*
IP8 Guidance & Support to CEO → Fundraising	.202***	ns
IP8 Guidance & Support to CEO → Community Relations	.165***	.109*
IP8 Guidance & Support to CEO → Recruiting	.186***	ns
IP9 Understanding Board's Role → Fundraising	.265***	.226***
IP9 Understanding Board's Role → Community Relations	.308***	.312***
IP9 Understanding Board's Role → Recruiting	.365***	.319***

\*\*\*p<.001, \*\*p<.01, \*p<.05, ns=not significant and n=473

The EFA shows that the latent constructs are valid and reliable representations of internal or external performance. Discriminate and convergent validity as well as the unidimensionality of the items is shown by the pattern matrices and factor loadings (See Table 2). Reliability of each construct is demonstrated by the Cronbach's  $\alpha$ 's and therefore the potential of the halo effect to emerge is non-existent.

## DISCUSSION

This study's findings uncovered a very strong impact of effective internal governance practices on effective external governance practices underscoring the importance of the internal practices. This supports Path 1a and 1b. The remaining analyses enabled us to delve into the relationship of the specific internal governance practices on the three external governance practices (Paths 2a & 2b, 3a & 3b, 4a & 4b). The results demonstrated that boards desiring to impact all three external governance practices should focus on establishing that board members clearly understand their roles and responsibilities. This relationship was significant for both the CEOs and BCs.

No other internal practices for both CEOs and BCs were as strong or as significant in their impact on the external practices as that of board members understanding their roles and responsibilities. The board's internal governance practices that had no significant impact on the board's external governance practices, as judged by the CEOs, included evaluating the CEO, legal, ethical, and financial oversight, and knowledge of the NPOs programs. We expected the process of evaluating the CEO to be discounted by the CEO. For the BCs, knowledge of the organization's programs and financial oversight had no significant impact on the external practices. Yet, Brown (2005) and others (e.g. Herman & Renz, 1997; Jackson & Holland, 1998) found that effective boards are associated with NPOs that tend to perform better in terms of both fiscal performance and perceptions of organizational effectiveness. Both the CEOs and the BCs saw no significant relationship between knowledge of the organization's programs and the external governance practices. We surmise that the financial oversight and knowledge of the programs are so internal that they do not impact fundraising, community relations and outreach, or recruiting new board members.

The significance of board members' understanding of their unique and specific roles and responsibilities implies that deliberate action must be taking place to explain and identify the nature of the roles and responsibilities. Activities such as orientation for new board members and ongoing board training are important contributing factors leading to high quality board performance. These specific practices have been identified as positively impacting external board performance and, ultimately, organizational performance (Herman & Renz, 2000). Further support for board training and orientation comes from Zimmermann and Stevens (2008) who suggested that comprehensive board training fosters opportunities for board members to more clearly understand their specific roles.

These findings are consistent with Holland and Jackson's (1998) determination that diverse boards engaging in ongoing efforts to develop their skills could markedly improve their performance. Martinelli (1998) suggested that orientation or training for board members must be more than just a one-time event because board skills and knowledge warrant continual upgrading. Brown's (2007) finding is that certain board recruitment and orientation practices are related to board member competence and performance. While highly motivated NPOs and their boards are more likely to use a board development, governance, or nominating committee and to train new board members and assign all board members specific roles (Brown, 2002; Herman et al., 1996), this study's findings differentiate between simply assigning roles and the board members' understanding of their roles. This concurs with Brown (2007), who found that using recommended board recruitment and orientation practices resulted in more competent board members. Larger NPOs, and those with more staff, tend to have more formalized board practices, such as job descriptions, and have larger boards (Cornforth & Simpson, 2002), which may contribute to more effective board practices (Brown, 2005).

Green and Griesinger (1996) determined that board development proved to be one of the most significant areas distinguishing effective organizations from less effective ones. Holland and Jackson (1998) suggest boards develop a level of competency related to the educational dimension of good

governance, such as ensuring that members are knowledgeable about the work of the organization and their own roles and responsibilities as board members. Such knowledge is not developed during a single morning retreat or from topical readings supplied by the CEO or another board member but rather must be integrated into the work of the board on a regular basis, thus becoming part of the board's ongoing work.

Fundraising, though it exhibited the smallest r-squared, was significantly impacted by board members understanding their roles and responsibilities. The Brown and Guo (2010) finding that NPO executives identified fund development as the number one most important role of the board, emphasizes the importance of our finding. Community relations and outreach was significantly impacted by board members understanding their roles and responsibilities. Effective community relations and outreach potentially impacts how the organization is perceived, which may in turn influence recruiting and fundraising.

Our findings suggest that integral to board performance is the ability of board members to engage in the external governance practices of fundraising, community relations and outreach, and recruiting new board members. These findings, combined with the literature cited above, suggest that when roles and responsibilities for board members are well defined and clearly expressed during recruiting and orientation of new board members, board performance and, subsequently, organizational effectiveness are enhanced.

### **Study Limitations**

The Index survey data had some limitations that affected this study. We were limited by having only three items to assess the board's external performance of governance practices, though the literature supports the assessment that these items are the most important activities that take place outside of the boardroom. Despite the richness of the Index data, we acknowledge that this data comes from self-reports, which may be more favorable towards one's specific organization. While these data may be biased upward, we do not believe that this bias is more or less prevalent among our respondents and therefore, should not influence our conclusions.

This study focused only on BoardSource member NPOs and would likely be improved by the addition of data from non-member NPOs. It may be argued that BoardSource member organizations may be more progressive and, therefore, more action-oriented, and may have a higher level of commitment to learning, and a greater propensity to engage in organization-level improvement efforts. NPOs with such a profile may be different from their peers in the general NPO population. Because the Index only provided board performance data and not organizational effectiveness measures, we relied on previous studies to assert that improving board performance of governance practices will impact organizational effectiveness. This study would benefit from external validation. Unfortunately, the Index does not measure fundraising data or financial success, which could be used as a means of further examining the effectiveness of the governance practices.

We acknowledge the tentative nature of the findings. Despite these limitations, this study provides a rigorous quantitative examination of board practices and performance in the nonprofit sector. These findings have important implications for future research and public policy debates. The results may also be a source of information providing guidance and direction for board members and nonprofit leaders' actions.

### **Implications for Future Research**

This study investigated the relationships between the board's internal and external governance practices. It is adding to the existing body of literature on NPO board practices and provides further refinement to a number of best practice elements previously explored by other researchers. The study does, however, invite additional research into the nature of boards and complexity of board governance practices. The use of the Index data highlights the value of using surveys to investigate important issues facing the nonprofit sector. Future use of these biannual surveys will enable tracking of board member practices and changes in board performance. Future surveys should inquire about fundraising statistics

and/or financial success, thus allowing researchers to tie board member performance to actual financial data.

Examination of organizational performance indicators would enable researchers to link board practices to board performance and organizational effectiveness. Because the samples were not linked in any way, it is entirely possible that the CEO and BC in the same organization could give diametrically opposed evaluations of the board's performance of governance practices. In fact, it is not unreasonable to expect that a CEO or BC would rate the internal and external governance practices measures favorably because they are each a reflection, at least in part, on their own performance in these roles. Therefore, we recommend research that analyzes how these actors, relative to one another, perceive board operations and performance within the same nonprofit organization. Lastly, we suggest that detailed qualitative analysis be conducted with both CEOs and BCs in order support or deny our findings.

### **Implications for Nonprofit Boards**

This study drew on practice, not theory, enabling us to make practical suggestions for nonprofit boards. We found that the internal board member governance practices and behaviors have significant impact on fundraising, community relations and outreach and recruiting of new board members. These findings, when examined in relation to the scope of board and organizational effectiveness, provide significant implications for board practices. The CEOs and BCs suggested that nonprofit boards should assure that board members clearly understand their roles and responsibilities. This would impact all three external performance measures of board governance practices.

Individuals concerned with recruiting and preparing effective board members may extract several lessons from this study. How do existing NPO boards teach and transfer knowledge about roles to new board members? When discussing board vacancies, roles should be reviewed. When interviewing and recruiting new board members detailed responsibilities for board members should be discussed including such key aspects as committee responsibilities, personal financial commitment, attendance requirements for board meetings and other organizational events, and fundraising expectations. After successful recruitment of new members, a formal orientation or on-boarding process should be initiated, developed, and promoted. Comprehensive board training enables board members to more clearly understand their roles and responsibilities while providing a chance for these board members to collaborate and engage with one another and learn to work together for the benefit of the organization (Zimmermann & Stevens, 2008). Throughout the first year of service, many boards now pair new board members with more seasoned members for informal mentoring for the new member. Such deliberate and thoughtful actions may further enhance the role development of the new member and recommit the seasoned member to better perform his/her role on the board. We posit these recommendations in order to ensure that board members truly understand their roles and responsibilities.

This study, and the preceding ones discussed here, point to success factors for external board performance that are commonly overlooked by many nonprofit boards. Furthermore, this study suggests that nonprofit boards and CEOs which focus on effective internal board practices, and, in particular, ensuring board members' understanding of their roles and responsibilities results in strengthened fundraising, community relations and outreach, and the recruitment of new board members. In addition, given the link prior research has established between NPO board performance and NPO effectiveness (see Bradshaw et al., 1992; Chait et al., 1991; Green & Griesinger, 1996; Herman & Renz, 1997; Herman et al., 1996), enhancing board members' internal practices may lead to improved organizational effectiveness.

Drucker's (1990) comments on accountability nearly 25 years ago still hold true: in NPOs, work does not get done merely by having strategic plans or sets of policy statements, but rather by personnel who are trained, evaluated and hold themselves responsible for results. This study's findings build on Drucker's comments by suggesting that roles and responsibilities for board members must be well defined and clearly expressed during the recruitment and orientation process. When board members understand their roles and responsibilities, board performance and, subsequently, organizational effectiveness is enhanced.

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