Research Article

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Using Self-Assessments to Improve Board Performance and Build Nonprofit Capacity

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This paper presents the nonprofit board self-assessment tool as a valuable, formative addition to the toolkit of nonprofit stakeholders, including evaluators, who are focused on improving both board and organizational performance. Using self-assessment data from a study of 156 nonprofits, the study tested five hypotheses about the effectiveness of five nonprofit governance best practices: strategic planning, reducing ambiguity on the board, board giving, strong internal controls, and evaluating the chief executive officer. The study finds that some nonprofit management best practices are more effective than others when it comes to assessing board performance. Moreover, consistent with previous research, board members and CEOs occasionally view performance differently. The paper concludes with a discussion about how nonprofit organizations, evaluators, and others can use these findings, as well as self-assessment tools, to improve nonprofit board governance and strengthen organizational capacity.

Keywords: Governance, Self-Assessment, Nonprofit Capacity

Many evaluations focus on helping nonprofit organizations to achieve better outcomes (Benjamin, 2012), through the evaluation program processes (Wiecha & Muth, 2021), as well as their management and governance practices (Lee & Nowell, 2015; Owen & Lambert, 1998). Moreover, the sponsors of nonprofit evaluation—often government and philanthropic foundations—are also interested in building the capacity of nonprofit organizations, by funding evaluation work that also addresses these important issues (Kinarsky, 2018; Lemire et al., 2018; Newcomer & Brass, 2016). One commonly used approach to assessing nonprofit performance and building capacity is the board self-assessment tool. Typically, these are questionnaires or checklists completed by board members, and sometimes staff, to identify and evaluate the strengths and weaknesses of the governing board and its management practices (Harrison & Murray, 2015).

The purpose of this research is two-fold. First, the development and proliferation of nonprofit board self-assessment tools is described, showing how they can be a valuable, formative tool for evaluators and others trying to improve the management and governance of nonprofit organizations. Second, the research reports on the findings from a study of 156 nonprofit organizations that have used a board self-assessment tool. The study tested five hypotheses about the effectiveness of five nonprofit governance best practices: 1) strategic planning; 2) board ambiguity; 3) board giving; 4) internal controls; and 5) chief executive evaluation. The findings show that when it comes to board performance, some nonprofit management best practices were judged to be more effective than others. The paper concludes with a discussion

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about how nonprofit organizations, evaluators, and others can use these findings together with self-assessment tools together to improve nonprofit board governance.

Literature Review

During the last thirty years, nonprofit organizations have begun to recognize the value and importance of using different evaluation tools to improve their effectiveness and measure their performance, including: conducting needs assessments (Sankofa, 2021), using theories of change and logic models (DuBow & Litzler, 2019; Yampolskaya et al., 2004), tracking inputs, outputs, and outcomes, and other performance measures (Bagnoli & Megali, 2011; Lee & Clerkin, 2017; Lee & Nowell, 2015); and adopting managerial standards of practice or seeking accreditation (Eckerd & Moulton, 2011; Hao & Neely, 2019). Some nonprofit organizations have also begun to recognize the value and importance of using evidence-based practices, statistical modeling, and more rigorous evaluation designs to assess and measure their impact (Gordon & Heinrich, 2004; Schweigert, 2006; Weitzman et al., 2009; Zandniapour & Deterding, 2018).

While many would agree that using these evaluation tools and strategies have served nonprofit organizations well by helping them to respond to external pressures for more accountability; document outcomes; secure funding from government, foundations, and donors; and meet community needs (Bryan et al., 2021; Greenwald, 2013; Mitchell, 2013; Sloan, 2009), others would argue that internal accountability and measuring performance for internal use is equally, if not more so, important (Alaimo, 2008; Ebrahim, 2016; Torres & Preskill, 2001). This is especially true at the board level, given the board's fiduciary and governance responsibilities, as well as their legal mandate to oversee the organization's pursuit of its charitable mission (Renz, 2016).

Board Self-Assessment Tools

Nonprofit board self-assessment tools have been gaining in popularity and prevalence to help board members evaluate and assess board effectiveness (Gill et al., 2005; Harrison & Murray, 2015; Holland, 1991; Paton et al., 2000). While nonprofit boards vary considerably in terms of size and composition, there is a great deal of consensus about the functional roles they should play. The board of directors, at a minimum, should promote the organization's mission and vision, engage in planning, oversee the organization's finances and resources, assess the chief executive's performance, and conduct productive meetings (BoardSource, 2017; Brown & Guo, 2010; Green & Griesinger, 1996; Renz, 2016).

To that end, a variety of questionnaires and checklists have been created to help evaluate nonprofit board effectiveness. Some of these are available online for free, while others are proprietary and available for purchase. They are typically quantitative in nature, relying on a series of questions that are combined into scales to capture perceptions of performance across different dimensions (BoardSource, 2017; Gill et al., 2005; Harrison & Murray, 2015; Jackson & Holland, 1998). Not only can internal stakeholders such as boards and CEOs use these tools, but they can also be used by external evaluators and consultants working to improve the overall management and governance of the organization (BoardSource, 2021; Gazley & Kissman, 2015; Millesen & Carman, 2019). In reflecting on the state of nonprofit boards and describing "healthy boards of directors" as "more of an exception than the norm," Counts (2020) concludes: "It's more important than ever that every governing body regularly assesses its performance" (p. 6).

Nonprofit Board Best Practices

The nonprofit sector employs more than 10% of the U.S. private workforce at more than 1.7 million nonprofit organizations (Candid, 2021; Salamon & Newhouse, 2019). This means with an average board size of 15 people (BoardSource, 2017) there are upwards of 25 million people serving on boards across the United States. As a result, there is a healthy industry of educational offerings, management support organizations, and consultants focused on helping these organizations and their volunteer boards to implement both sound management and strong governance practices. For example, nonprofit management as an educational degree or concentration is fairly common (Mitchell & Schmitz, 2019), as evidenced by the growing numbers of undergraduate, graduate, and certificate programs at colleges and universities in the U.S., as well as internationally (Mirabella et al., 2007; Mirabella & Wish, 2000; Weber & Brunt, 2020). Other degree programs, such as social work, business, leadership, and community studies, also offer specialized content relating to nonprofit management and governance (Mirabella et al., 2022).

As nonprofit education has developed, so too have professional organizations that provide support for nonprofit organizations and the field (Abramson & McCarthy, 2012; Weber & Long, 2021). Academic membership organizations were created to support research about nonprofit organizations (e.g., Association for Research on Nonprofit and Voluntary Action, International Society for Third-Sector Research); journals and magazines and other practitioner-focused publications were created to disseminate knowledge and information; infrastructure organizations were founded to provide institutional capacity building and support (Abramson & McCarthy, 2012; Gazley & Kissman, 2015; International Society for Third-Sector Research, n.d.; Walden et al., 2015; Weber & Brunt, 2020). Watchdog organizations, such as Charity Navigator and others, emerged to provide information, oversight, and accountability to the public (Cnaan et al., 2011). Finally, consulting firms have proliferated to provide evaluation and capacity building assistance to improve the operations and governance of these organizations (Cagney, 2010).

Taken together, these entities have worked in concert to make sure nonprofit organizations implement a variety of management practices with the intent to improve performance. While the literature is flush with advice and best practices (Åberg, 2013; Jaskyte & Holland, 2015; Zimmermann & Stevens, 2008), there are five that are quite ubiquitous across both the practitioner and academic press: 1) the necessity to engage in strategic planning; 2) the need to reduce ambiguity on the board; 3) the importance of board giving; 4) the significance of having strong internal controls; and 5) the responsibility to evaluate the chief executive officer. What follows is a description of how each are expected to improve performance, along with the hypotheses tested in this study.

Strategic Planning. When nonprofit organizations apply to the Internal Revenue Service (IRS) to be recognized as tax exempt, the IRS requires a narrative description of past, present, and planned activities (Internal Revenue Service, 2017, p. 2). The narrative is expected to describe who conducts each activity, where these activities are conducted, how much time is spent on the activities, how they are funded, along with other pertinent details (Internal Revenue Service, 2020, p. 8). As new nonprofit organizations develop and grow, they typically seek to continue these activities and increase their capacity. One of the most common tools that nonprofits use is the strategic plan, which is intended to help provide detailed directions and guidance to help them achieve short and long-term goals (Allison & Kay, 2015; Bryson, 2016; Herman & Renz, 1998; Liket & Maas, 2015; Marx & Davis, 2012; Sowa et al., 2004). Therefore, the first hypothesis for this study is:

> H_1: Nonprofits that have a strategic plan will have better performance ratings.

Reducing Ambiguity. Board members of nonprofits often report that they are unsure of their duties and responsibilities (Coulson-Thomas, 1994; Mason & Kim, 2020; Mathews, 2020). To clear up this uncertainty and ambiguity, nonprofit organizations are advised to adopt certain processes and procedures for their boards to follow, thereby improving the collective performance of the board. These practices typically include efforts to clarify the board's roles and responsibilities, having an orientation for new board members, having retreats for planning and reflection, and being clear about use and the purposes of different board committees (Brown, 2005; Davis & Herrell, 2012; Marx & Davis, 2012; Northrup, 2018; Reid et al., 2014; Van Bussel & Doherty, 2015). These practices are designed to build board capacity, shorten the learning curve for new board members, reduce uncertainty and ambiguity, and ensure that the board functions in ways that advance mission-related goals and objectives (Brown, 2007; Gazley & Kissman, 2015; Piscitelli et al., 2020; Wathen, 2014). To that end, the second hypothesis for this study is:

> H_2: Nonprofits with practices designed to reduce ambiguity will have better performance ratings.

Board Giving. In addition to leading and guiding the nonprofit organization, the board members are responsible for ensuring that the nonprofit organization has adequate financial resources to achieve their goals and mission (Renz, 2016). While staff can be instrumental in fundraising (e.g., writing grant proposals and organizing fund-raising events), board giving is also important. Many consultants and board developers advocate for 100% giving among board members, suggesting that this metric sends a clear message to potential funders and donors about their commitment, as well as the validity, legitimacy, and trustworthiness of the organization (Davis, 2017; Davis & Herrell, 2012; Renz, 2016). Even if this standard or expectation is not explicit or required, researchers have observed that that there is often social pressure or an implied expectation that board members will make annual financial gifts to the organization (DellaVigna et al., 2012; Proper, 2019). To that end, the third hypothesis for this study is:

> H_3: Nonprofits with more board members who give will have better performance ratings.

Internal Controls. Nonprofit boards are also entrusted with ensuring that resources are used effectively, overseeing the finances, and making sure that various internal managerial controls are in place (Ebrahim, 2016; Hodge et al., 2011; Renz, 2016). These efforts typically entail having a written code of ethics (Tschirhart & Bielefeld, 2012), policies for disclosing conflict of interests (Lister, 2013), whistleblower policies and protections (Fogal, 2013), document retention and destruction policies (Saxton & Neely, 2019), and financial audits (Cordery et al., 2019). In addition, boards of directors are advised to make sure they receive regular financial reports (Bell & Ellis, 2016), formally approve the organization's annual budget (Blazek, 1996), review the IRS Form 990 annually (Saxton & Neely, 2019), and carry directors' and officers' liability insurance (Herman, 2010). The reasoning here is that these types of managerial controls help the boards uphold their fiduciary responsibility and ensure that resources are being used prudently. To that end, the fourth hypothesis for this study is:

> H_4: Nonprofits with more internal, managerial controls will have better performance ratings.

Evaluating the CEO. In addition to overseeing the programs and finances of the organization, boards are responsible for overseeing and evaluating the chief executive. This involves providing "strategic direction, support, advice, and performance feedback to the organization's chief executive" (Renz, 2016, p. 136). While the primacy or centrality of this relationship has long been recognized as being integral to the success of nonprofit organizations (Carver, 1997; Drucker, 1990; Heimovics, et al., 1993; Jäger & Rehli, 2012), developing and nurturing this relationship can be challenging. Many chief executives do not feel supported by their boards (Cornelius et al., 2011). Others have noted that it can be hard for boards to strike the right balance between being engaged and attentive while avoiding being micromanagers (LeRoux & Langer, 2016; Mason & Kim, 2020; Stewart, 2016). While formal annual performance appraisals and clear salary structures are not the norm in many nonprofit organizations (Cornelius et al., 2011; Stewart, 2016), these can be effective tools for improving organizational performance when linked to organizational strategy and performance goals (Day, 2016; Herman & Renz, 1998). To that end, the fifth hypothesis for this study is:

> H_5: Nonprofits with boards that evaluate the CEO and pay attention to their salary structures will have better performance ratings.

Data and Methods

This study relied primarily on BoardSource self-assessment survey data. BoardSource is a U.S.-based organization that "supports, trains, and educates more than 60,000 nonprofit board leaders from across the country each year" (BoardSource, n.d.-a, n.p.). Although the BoardSource Self-Assessment (BSA) tool has evolved over time, it has been used for more than 30 years to provide feedback to thousands of boards on their performance. Over the years, the BSA for nonprofit boards has also been customized for associations, community foundations, private foundations, credit unions, independent schools, and a variety of other sub-sectors within the nonprofit sector (BoardSource, n.d.-b).

The BSA is distributed to participating board members via email containing a link to the online survey. The BSA asks board members to evaluate their individual performance as well as the board's collective performance using a series of questions based on recognized roles and responsibilities of nonprofit boards. The questions focused on nine different dimensions of performance: mission; strategy; funding and public image; board composition; program oversight; financial oversight; CEO oversight; board structure; and meetings.

The data for this study come from 156 nonprofit organizations who completed the BSA during a two-year period (May 2013–June 2015). These are nonprofit organizations who voluntarily chose to participate in the self-assessment process. In total, survey responses were collected from 2,668 individuals, with 156 surveys being completed by the CEO of each organization and 2,512 surveys being completed by board members of these organizations' members.

For each participating organization, we gathered additional descriptive information from the IRS Form 990 (corresponding to the year the organization completed the BSA). The organizations in this study ranged in age, from 2 to 132 years old. The number of board members varied by organization, ranging from 3 to 48. Annual operating budgets of these organizations ranged from $5,000 to almost $70 million. The sample included nonprofits with mission areas in Arts & Culture (n=32, 20.5%); Health/Human Services (n=34, 21.8%); Housing & Community Development (n=30, 19.2%); Education & Youth (n=26, 16.7%); and Other (n=34, 21.8%).

The BSA data were used to discover the extent to which implementing five best practices influenced the way board members and CEOs perceive organizational performance. The self-assessment asked board members to evaluate their performance using a series of questions based on the recognized roles and responsibilities of nonprofit boards. The CEOs also completed a version of the self-assessment, providing additional information about the organization's management practices (BoardSource, 2021).

Dependent Variables

The dependent variables for the study were created from 66 self-assessment questions that corresponded to the board's different roles and responsibilities. These questions asked the board members and CEOs to use a six-point rating scale (poor=1, fair=2, don't know/NA=3, OK=4, good=4, excellent=6) to rate the current performance of the board with respect to how well it: 1) Sets direction for the organization; 2) Ensures effective planning; 3) Enhances the organization's public standing and ensuring adequate financial resources; 4) Builds a competent board; 5) Monitors and strengthens program services; 6) Protects assets and provides financial oversight; 7) Supervises and evaluates the CEO; 8) Maintains sound board policies and structures; and 9) Conducts productive board meetings. Summative scales were created for each of these nine role and responsibilities, capturing the assessment of the board members (nine dependent variables) and the assessment of the CEO (nine dependent variables).

For example, in order to assess the role and responsibility of the first dependent variable, 'setting the direction' for the organization, the respondents were asked to rate how well the organization was doing this according to five criteria: supporting the organization's mission; agreeing on how the organization should fulfill its mission; periodically reviewing the mission to ensure it is appropriate; articulating a vision that is distinct from the mission; and using the organization's mission and values to drive decisions. The responses to each question were added together to create a summative scale (to capture 'sets direction for the organization'). The lowest possible value for this scale was 5, which would mean the respondent rated the board as 'poor' for all five criteria and the highest possible value for this scale would be 30, indicating that the respondent rated the organization as 'excellent' for all five criteria.

To illustrate this further, we offer the following example: One of the organizations in the data set has responses from three board members and the CEO. In this case, the values for the summative scale for 'sets the direction of the organization' for the three board members were 14, 18, and 23, respectively, which were calculated by summing their ratings for the five questions that make up the scale: 14 (4+2+1+2+5=14), 18 (5+5+2+2+4=18), and 23 (5+5+4+4+5=23). The average of these three values (18.33) was used to capture the overall rating from the board members (14+18+23=55; 55/3=18.33). The value of the summative responses from the CEO was used for the CEO rating (in this case, the value equaled 13; 2+4+1+4+1=13) (See Table 1: Descriptive Statistics for the Dependent Variables).

Tests for the reliability of the scales were very good, with alpha coefficients (α) ranging from 0.828 for CEO supervision to 0.916 for funding and public image (BoardSource, n.d.; Hair et al., 2010; Mohsen & Dennick, 2011) (See Table 2: Board Roles and Responsibilities).

Independent Variables

Survey data from the CEOs included detailed information about organizational management and oversight practices. This information was used to create five independent variables that corresponded to the five core activities (i.e., strategic planning, reducing ambiguity, board giving, internal controls, CEO evaluation) believed to result in improved perceptions of board performance. The first independent variable indicated whether the organization had a written strategic plan (coded as 0 if no, 1 if yes).

The second independent variable was a summative scale comprised of six questions about activities designed to reduce ambiguity, including: 1) Is a structured, formal orientation held for new board members, 2) Is the length of board member terms defined?, 3) Is there a maximum number of consecutive years a board member can serve?, 4) Does the board have an annual retreat?, 5) Do board committees have written charters or job descriptions?, and 6) Is there a written policy specifying the executive committee's roles and powers? If a board did not engage in any of these practices, the value for this variable was 0. If the board engaged in all of these practices, the value for this variable was 6. The reliability for this scale, however, was somewhat low (KR-20=0.489) (Allen, 2017).

Table 1. Descriptive Statistics for Dependent Variables (n=156)

	Average Rating from Board Members*						Rating from the CEOs					
	Mean	SD	Min.	Max.	Skew-ness	Kur-tosis	Mean	SD	Min.	Max.	Skew-ness	Kur-tosis
1) Setting the Direction	23.141	5.597	5.000	30.000	−1.033	0.681	24.406	2.824	14.500	29.170	−0.781	0.353
2) Strategic Actions/ Activities	26.019	7.781	6.000	36.000	−0.883	−0.096	28.122	4.069	15.730	34.090	−0.983	0.674
3) Positive Image/ Fundraising Prospects	42.442	12.539	12.000	66.000	−0.467	−0.581	49.469	6.148	32.000	60.000	−0.739	0.046
4) Collective Board Governance	33.641	9.057	9.000	48.000	−0.600	−0.289	36.387	4.883	20.390	45.910	−0.963	1.058
5) Program Oversight	25.955	6.279	8.000	36.000	−0.586	−0.238	27.845	3.248	16.620	34.580	−0.727	0.618
6) Financial Oversight	39.064	7.690	8.000	48.000	−1.244	1.750	38.531	4.227	23.110	46.130	−0.739	0.729
7) CEO Relationship	32.622	7.134	7.000	42.000	−0.804	0.341	33.333	3.930	20.890	39.780	−0.527	−0.273
8) Sound Board Policies/ Procedures	37.186	8.604	8.000	48.000	−1.039	0.983	38.382	4.727	22.330	45.050	−0.940	0.745
9) Productive Board Meetings	32.583	6.926	9.000	42.000	−0.969	0.865	34.622	3.843	17.780	40.400	−1.197	2.186

The third independent variable captured the percentage of board members making a financial contribution to the organization in the previous year (ranging from 0% to 100%). The fourth independent variable was an additive scale comprised of 11 questions about the internal controls that were in place. These included: 1) Does the organization have a written code of ethics?, 2) Does the organization have a whistleblower policy that provides protection for employees who report suspected illegal activities?, 3) Does the organization have a document retention and destruction policy?, 4) Does the organization carry directors' and officers' liability insurance?, 5) Does the organization have a written conflict-of-interest policy?, 6) Within the past year, has the organization obtained a formal independent audit?, 7) Have all current board members and senior staff signed a conflict-of-interest and annual disclosure statement?, 8) Did the board, or a committee of the board, meet with the auditors without staff present?, 9) Did all board members receive a copy of the organization's IRS Form 990?, 10) Did the full board formally approve the organization's annual budget?, and 11) Does the full board receive financial reports at least quarterly? If a board did not engage in any of these practices, the

Table 2. Nine Board Roles and Responsibilities (n=2,668[a])

Nine Board Roles and Responsibility	Dependent Variable Name	Number of Survey Questions for each Scale	Reliability (α)
1) Set direction for the organization	Setting the Direction	5	0.882
2) Ensure effective planning	Strategic Actions/ Activities	6	0.908
3) Enhance the organization's public standing and ensuring adequate financial resources	Positive Image/ Fundraising Prospects	11	0.916
4) Build a competent board	Collective Board Governance	8	0.898
5) Monitor and strengthen program services	Program Oversight	6	0.889
6) Protect assets and provide financial oversight	Financial Oversight	8	0.875
7) Supervise and evaluate the CEO	CEO Relationship	7	0.828
8) Maintain sound board policies and structures	Sound Board Policies/ Procedures	8	0.901
9) Conduct productive board meetings	Productive Board Meetings	7	0.887

Source: BoardSource Self-Assessment (n.d.)
[a] The reliability statistics were calculated from the individual survey responses of the 156 CEOS and 2,512 board members (156+2,512=2,668).

value for this variable was 0. If the board engaged in all of these practices, the value for this variable was 11. The reliability for this scale was acceptable (KR-20=0.751) (Allen, 2017).

The fifth independent variable was also a scale capturing the extent to which the board performed formal evaluations of the CEO. Three survey questions comprised this scale: 1) Is the chief executive evaluated annually by the board?, 2) Does the evaluation of the chief executive include a formal, written performance review?, and 3) Does the board periodically review executive compensation at comparable organizations? If a board did not engage in any of these practices, the value for this variable was 0. If the board engaged in each of these practices, the value for this variable was 3. The reliability for this scale was acceptable (KR-20=0.709) (Allen, 2017).

Control Variables

In keeping with previous research which suggests that the use of formal management practices and professionalism varies among nonprofit organizations, this study controlled for several important organizational characteristics, including total annual revenues, age, board size, and mission area (Hackler & Saxton, 2007; Hwang & Bromley, 2015; Hwang & Powell, 2009; McClusky, 2002).

As we noted above, total annual revenues (corresponding to the year of the self-assessment) were recorded from the nonprofit organization's IRS Form 990 (Candid, 2021). While the total annual revenues ranged from less than $500,000 to more than $69.5 million, these data were recoded as ratio data to minimize skewness (corresponding to $500,000 increments, with 1

Table 3. Descriptive Statistics for Control and Independent Variables (n = 156)

	Mean	SD	Min.	Max.	Skewness	Kurtosis
Control Variables						
Total Revenue	20.724	29.845	1.000	140.000	2.194	4.376
Age	41.506	27.620	2.000	132.000	1.035	0.588
Board Size	17.910	8.187	3.000	48.000	1.087	1.147
Arts & Culture	0.205	0.405	0.000	1.000	1.475	0.177
Health/Human Services	0.218	0.414	0.000	1.000	1.380	–0.098
Housing & CD	0.192	0.395	0.000	1.000	1.577	0.492
Education & Youth	0.167	0.374	0.000	1.000	1.806	1.279
Other Nonprofit	0.218	0.414	0.000	1.000	1.380	–0.098
Independent Variables						
Strategic Plan	0.808	0.395	0.000	1.000	–1.577	0.492
Board Mgmt. Practices	4.135	1.410	0.000	6.000	–0.620	–0.167
% Board Giving	82.180	29.424	0.000	100.000	–1.809	2.030
Internal Controls	8.750	2.213	0.000	11.000	–1.082	0.941
Evaluate CEO	2.051	1.094	0.000	3.000	–0.791	–0.759

representing less than $499,999, 2 representing $500,000 to $999,999, on up to 140, representing more than $69.5 million). Age was calculated from the year the organization was founded (listed on the IRS Form 990) (ranging from 2 to 132 years). Board size was captured by the number of voting members currently serving on the board (listed on the IRS Form 990) ranged from 3 to 48, and five dummy variables (coded as 0 or 1) were created to capture each organization's primary mission area: arts and culture; health and human services; housing and community development; education and youth; and other (e.g., funders, advocacy, sports) (See Table 3: Descriptive Statistics for Control and Independent Variables).

Bivariate Correlations

Statistically significant bivariate correlations between the independent and control variables ranged from a low of 0.162 (between board giving and age) to a high of –0.504 (between arts and culture nonprofit organizations and management controls) (See Table 4: Bivariate Correlations among the Independent and Control Variables).

Regression Analysis

Linear regression was used to test each of the five hypotheses (Raudenbush & Bryk, 2002). Eighteen models were run, with nine predicting the variation in the assessments made by the board members and nine predicting the variation in the assessments made by the CEO. Variance inflation factor tests revealed that multi-collinearity was not an issue in any of the models (all values were less than 2.18) and reference category for primary mission area was 'other' types of nonprofit organizations (Nishishiba, 2014).

Findings

A review of the findings from the regression models show that the models accounted for modest proportions of variance in perceptions of effectiveness across the nine dimensions of performance. The adjusted R^2 value among board members ranged from a low of 0.208 (conducting productive board meetings) to a high of 0.435 (maintaining sound board policies and procedures). The regression models also accounted for modest proportions of the variance in the CEO's perceived performance. The lowest adjusted R^2 value was for projecting a more positive image and improving fundraising prospects (adjusted R^2=0.264), while the highest value for adjusted R^2 was for having a good relationship with the CEO (adjusted R^2=0.430).

Table 4. Bivariate Correlations Among the Independent and Control Variables (n=156)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Total Revenue	1												
Age	0.304**	1											
Board Size	0.139	0.410**	1										
Arts & Culture	−0.287**	0.088	0.317**	1									
Health/Human Services	0.238**	−0.014	−0.080	−0.268**	1								
Housing & CD	−0.088	−0.262**	−0.320**	−0.248**	−0.258**	1							
Education & Youth	0.240**	0.224**	0.123	−0.227**	−0.236**	−0.218**	1						
Other Nonprofit	−0.090	−0.025	−0.036	−0.268**	−0.279**	−0.258**	−0.236**	1					
Strategic Plan	0.069	−0.017	−0.117	−0.195*	0.139	0.156	−0.044	−0.058	1				
Board Mgmt. Practices	0.235**	0.294**	0.113	−0.071	−0.095	−0.070	0.177*	0.071	0.116	1			
% Board Giving	0.017	0.162*	0.249**	0.173*	−0.005	−0.228**	0.094	−0.032	−0.100	0.106	1		
Internal Controls	0.335**	0.181*	−0.000	−0.504**	0.158*	0.188*	0.113	0.053	0.254**	0.265**	0.012	1	
Evaluate CEO	0.309**	0.118	0.111	−0.228**	0.075	0.096	0.042	0.018	0.127	0.297**	0.112	0.464**	1

** $p<0.01$
* $p<0.05$

Performance Assessment Among Board Members

The findings provided support for four of five hypotheses. Specifically, having a written strategic plan (H_1) was a positive, significant predictor for four dependent variables: setting direction ($\beta = 0.204$); strategic actions/activities ($\beta = 0.237$); collective board governance ($\beta = 0.137$); and sound board policies/procedures ($\beta = 0.161$). Reducing ambiguity through the implementation of more structured board management practices (H_2) was a positive, significant predictor of building more effective collective board governance ($\beta = 0.167$) and maintaining sound board policies and procedures ($\beta = 0.139$). Implementing greater numbers of internal management controls (H_3) was a positive, significant predictor of having a more favorable rating for providing financial oversight ($\beta = 0.270$) and maintaining sound board policies and structures ($\beta = 0.178$).

Most notable among the independent variables was that implementing practices associated with evaluating the CEO (H_5) was a positive, significant predictor across all of the dependent variables: setting the direction ($\beta = 0.280$); strategic actions/activities ($\beta = 0.241$); positive image/fundraising prospects ($\beta = 0.269$); collective board governance ($\beta = 0.280$); program oversight ($\beta = 0.254$); financial oversight ($\beta = 0.198$); CEO relationship ($\beta = 0.327$); sound board policies/procedures ($\beta = 0.264$); and productive board meetings ($\beta = 0.233$). Interestingly, board giving (H_4) does not appear to be related to perceptions of effective performance.

Several control variables were also significant predictors of the average board self-assessment scores. Most notably, evaluating the CEO and the total annual revenue (measured in $500,000 increments) were positive, significant predictors across all dimensions of board performance. Board members at less established organizations (as measured by age) were less likely, on average, to rate their organizations favorably with respect to

Table 5. Regression Findings for Average Assessment by the Board Members (n=156)

	Setting the Direction	Strategic Actions/ Activities	Positive Image/ Fundraising Prospects	Collective Board Governance	Program Oversight	Financial Oversight	CEO Relationship	Sound Board Policies/ Procedures	Productive Board Meetings
Control Variables									
Total Revenue	0.188*	0.212**	0.208*	0.175*	0.213*	0.235**	0.230**	0.187*	0.179*
Age	−0.118	−0.135	−0.161	−0.143	−0.193*	0.038	−0.160*	−0.077	−0.154
Board Size	0.050	0.114	0.286**	0.236**	0.163	0.060	0.073	0.106	0.042
Arts & Culture	−0.081	−0.141	0.032	−0.099	−0.029	−0.092	−0.058	−0.039	0.013
Health/Human Services	0.016	−0.005	−0.004	−0.051	0.047	−0.028	0.052	0.072	0.062
Housing & CD	0.043	0.107	−0.001	0.035	0.138	0.063	0.184*	0.124	0.145
Education & Youth	0.102	0.076	0.038	0.129	0.059	0.098	0.216**	0.192*	0.129
Independent Variables									
Strategic Plan	0.204**	0.237**	0.140	0.137*	0.124	0.070	0.115	0.161*	0.082
Board Mgmt. Practices	0.075	0.038	−0.047	0.167*	−0.051	−0.005	−0.037	0.139*	0.016
% Board Giving	0.028	0.016	0.090	−0.048	−0.052	0.053	−0.011	0.018	0.019
Internal Controls	0.097	0.062	0.090	0.090	0.146	0.270**	0.083	0.178*	0.163
Evaluate CEO	0.280**	0.241**	0.269**	0.280***	0.254**	0.198*	0.327***	0.264***	0.233**
R^2	0.358	0.367	0.300	0.411	0.315	0.424	0.410	0.479	0.269
Adj. R^2	0.304	0.313	0.241	0.362	0.258	0.376	0.361	0.435	0.208

* $p<0.05$, ** $p<0.01$, *** $p<0.001$

program oversight (β=−0.193) and the CEO relationship (β=−0.160). In contrast, organizations with greater numbers of voting board members were more likely, on average, to rate themselves higher on projecting a more positive image and improve fundraising prospects (β=0.286) and collective board governance (β=0.236).

Table 6. Regression Findings for Assessments by the CEOs (n=156)

	Setting the Direction	Strategic Actions/ Activities	Positive Image/ Fundraising Prospects	Collective Board Governance	Program Oversight	Financial Oversight	CEO Relationship	Sound Board Policies/ Procedures	Productive Board Meetings
Control Variables									
Total Revenue	0.157	0.243**	0.300***	0.224**	0.237**	0.201**	0.242**	0.250**	0.297**
Age	−0.191*	−0.151*	−0.189*	−0.129	−0.166*	−0.072	−0.121	−0.124	−0.135
Board Size	−0.020	0.073	0.094	0.085	0.004	0.077	0.004	−0.115	−0.117
Arts & Culture	−0.066	−0.098	0.111	0.070	0.020	−0.071	−0.050	0.064	−0.073
Health/Human Services	−0.087	−0.088	0.049	0.001	−0.103	−0.084	−0.075	−0.058	−0.103
Housing & CD	−0.071	−0.003	−0.091	0.073	−0.104	−0.038	0.003	−0.028	−0.073
Education & Youth	0.091	0.035	0.033	0.163	0.089	0.005	−0.020	0.080	−0.042
Independent Variables									
Strategic Plan	0.161*	0.329***	0.086	0.179*	0.143*	−0.004	0.008	0.036	0.007
Board Mgmt. Practices	0.074	−0.024	−0.070	0.095	−0.081	0.159*	0.082	0.133	0.041
% Board Giving	0.079	0.044	0.163*	0.058	0.067	0.085	0.078	0.058	0.063
Internal Controls	0.289**	0.187*	0.122	0.067	0.296**	0.417***	0.297***	0.305**	0.329**
Evaluate CEO	0.203*	0.249**	0.287**	0.330***	0.273**	0.085	0.321***	0.226**	0.188*
R^2	0.371	0.459	0.321	0.365	0.368	0.433	0.474	0.388	0.395
Adj. R^2	0.319	0.414	0.264	0.312	0.315	0.385	0.430	0.336	0.344

* $p<0.05$, ** $p<0.01$, *** $p<0.001$

There were also three significant differences by primary mission area. Board members from education and youth nonprofits were more likely to rate themselves higher on having a good relationship with their CEO (β=0.216) and maintaining sound board policies and procedures (β=0.192). Board members from housing and community development nonprofits were more likely to rate themselves higher on having a good relationship with their CEO (β=0.184) (See Table 5: Regression Findings for Average Assessment by the Board Members).

Performance Assessment among CEOs

The findings from assessments of the CEOs were fairly consistent with those of the board members. For example, CEOs of nonprofit organizations where the board is making efforts to implement formal evaluations of the CEO were more likely to rate their organization higher across all dimensions of board performance (with the exception of financial oversight). CEOs of nonprofit organizations implementing more internal management controls were also more likely to rate their organization more favorably across seven of the nine dimensions of board performance (with the exceptions being positive/fundraising prospects and collective board governance).

Other important predictors of favorable performance ratings by the CEO included: implementing more board management practices and better financial oversight (β=0.159) (supporting H_1); having a strategic plan and setting the direction (β=0.161), strategic actions/activities (β=0.329), collective board governance (β=0.179), and program oversight (β =0.143) (supporting H_2). Among the most notable difference between the board member and CEO assessments of performance was related to board giving, in that CEOs of boards with greater percentages of board members who give, were more likely to assess themselves on cultivating a positive image and fundraising prospects (β=0.163).

For the CEOs, there were no significant differences with respect to primary mission area. Yet, total annual revenue was a positive, significant predictor across all dimensions of board performance, with the exception of setting direction for the organization. Age was a negative predictor of four performance measures: setting direction for the organization (β=–0.191); being strategic with actions and activities (β=–0.151); projecting a more positive image and improving fundraising prospects (β=–0.189); and program oversight, β=–0.166). (See Table 6: Regression Findings for Assessments by the CEOs).

Discussion

The purpose of this study was to show how evaluation through a self-assessment tool can yield valuable performance information that can be used to inform capacity-building initiatives. The findings highlight how certain management practices might be better at increasing both board and organizational performance compared to others. The findings together with the recommendations advanced also offer a formative addition to the toolkit of nonprofit stakeholders, including evaluators, who are focused on improving both board and organizational performance.

Strategic planning is touted as an essential element of effective nonprofit management (Allison & Kay, 2015; Bryson, 2016; Marx & Davis, 2012). Bryson (2016) argues that strategic planning can help nonprofit organizations be proactive and resilient in response to an increasingly volatile and changing external environment. Moreover, the process of strategic planning clarifies organizational mission, vision, and values; deepens engagement among stakeholders; and builds a shared understanding of who the organization is, what it does, and why it does those things. The plan can also be used to guide decision making, develop budgets, prepare for leadership changes, and educate internal constituencies. The findings here support the value of strategic planning and its relationship to improved perceptions of performance.

When the organization had a strategic plan, both the board members and the CEOs reported higher levels of performance across three of the nine dimensions of effectiveness (setting direction, strategic actions/activities, and collective board governance). Board members also tended to rate themselves higher on a fourth dimension of effectiveness (sound board policies and procedures) when there was a strategic plan. Once an organization's strategic directions and high-priority goals are clearly defined, its resources can be allocated more effectively. And just as important, once a vision of the future is clarified, the staff are better positioned to advance a solid purpose and direction, and stakeholders and constituents become more engaged. This means, from a capacity-building perspective, the self-assessment process is an essential tool that can be used to inform the strategic planning process helping organizational leaders, consultants, and board members to capitalize on organizational strengths while also identifying areas where an additional investment of resources might be needed to improve future performance.

With a clear picture of its desired future, the organization is in a strong position to bring about that future, and when efforts to mitigate role ambiguity are in place, the board understands how it can contribute to that shared vision. Board members often experience role ambiguity because of poorly communicated expectations (Doherty & Hoye, 2011) and the self-assessment can be used to inform strategies focused on reducing that ambiguity. It is often assumed that board members are expected to have a clear understanding of their role, high levels of commitment, and specific talents that add value to the board in ways that are reflective of a particular role orientation (Doherty & Hoye, 2011). Nonprofit boards often engage in activities designed to reduce board member uncertainty with the expectation that these actions will result in improved performance.

Findings reported here suggest that investing in efforts that seek to reduce board ambiguity through activities such as holding an orientation, hosting an annual retreat, defining term limits, and providing job and committee descriptions, improved perceptions of performance among board members across two dimensions (collective board governance and sound board policies and procedures); while CEOs linked these activities to improved performance related to financial oversight.

According to a report published by the Nonprofit Research Collaborative (2015), six in ten nonprofit organizations require board members to make a financial gift to the organization. Giving USA published an article (Lapin, 2018) on their website arguing that, “Board member giving is a public commitment to the organization’s work” (para. 16) and that “participation indicates that each board member has a strong commitment to the organization and its mission. The message to the donor community is quite compelling and a necessary motivator for others” (para. 10). It seems reasonable then, to expect that when board members make a personal contribution to the organization, that activity would be associated with positive perceptions of performance. Interestingly, only CEOs made a connection between board giving and one dimension of performance (positive image/fundraising prospects); board members make no such link.

Crutchfield and McLeod Grant (2007) argue, “…greatness has more to do with how nonprofits work outside the boundaries of their organizations than with how they manage internal operations” (p. 35). While this might be true for “greatness” the findings here suggest getting your house in order is a positive predictor of effective board performance, particularly among CEOs. The CEOs working for organizations with strong internal controls (i.e., code of ethics; whistleblower, document retention, and conflict-of-interest policies; D&O insurance; and financial controls) reported higher levels of performance across seven of the nine dimensions of effectiveness, while board members linked these activities to improved performance related to financial oversight and sound board policies.

While there is no shortage of advice on how nonprofit leaders might improve both board and organizational performance, the challenge for many is figuring out where to start—how to prioritize multiple ‘good’ or ‘desirable’ courses of action. With so many important roles and responsibilities it can be challenging to know where to start. Among the board members who completed the self-assessment, only one key practice was a positive, significant predictor of effectiveness across all nine dimensions of board performance. When there was an annual CEO performance appraisal and written review, coupled with a periodic review of executive compensation, board members reported positive perceptions of board performance on every indicator. This was true for CEOs as well, except for the fact that CEOs did not perceive this practice to be an indicator of effective performance on the dimension of financial oversight.

Limitations and Opportunities

There are, of course, some limitations to the study to keep in mind. First, in this case, the self-assessment process was voluntary. As such, it is likely that the organizations who participated in the process are inherently different from organizations that do not choose to engage in this type of reflective, formative, and capacity-building endeavor. Second, this self-assessment relies on subjective ratings by internal stakeholders. Other self-assessment tools might include objective measures as well, such as financial or staffing ratios, or assessments by external stakeholders, such as beneficiaries or partner organizations. Third, the reliability of the ambiguity scale was somewhat low, suggesting there are opportunities to improve that measure. Fourth, the sample for this study was comprised (almost exclusively) of nonprofits incorporated in the United States. Thus, using the self-assessment tool with nonprofit organizations in a different context could provide interesting findings to compare and contrast. Finally, the data for the study were collected between May 2013 and June 2015. More recent data might yield some differences in the findings, given that recent economic shocks associated with the downturn in the economy and the pandemic have prompted some nonprofit organizations to pay closer attention to importance of having strong management practices and financial reserves (Kim & Mason, 2020).

Implications and Conclusions

These findings have important implications for the many stakeholders who are working to improve the management and governance of nonprofit organizations—volunteer board members, executive leaders and staff, funders, donors, and the myriad of consultants, Management Support Organizations (MSOs), and others interested in building nonprofit capacity—as well as evaluators who focus on organizational development (Kelly & Kaczynski, 2008). Board and/or organizational self-assessment processes can yield useful insights that can be used to help organizations to define a capacity-building improvement plan, based on self-assessed need. The findings from this study further inform capacity-building efforts by highlighting the relationship between certain practices and overall performance.

For example, the findings related to strategic planning are confirmatory. Strategic planning remains a valuable tool that helps nonprofit organizations determine how and where to focus activity, and it can be a starting point for many types of evaluation efforts (Allison & Kay, 2015). Moreover, the decision of some funders to require or at least value the presence of a strategic plan when making funding decisions (Johnsen, 2015) seems to be well-placed in that having a strategic plan is positively related to assessments about performance. The implication for capacity builders or others seeking to improve performance is quite clear: make sure the organization not only has a strategic plan, but uses that plan to guide decision making, develop budgets, inform programming, and evaluate progress toward mission-related goals and objectives.

Research has shown that nonprofit boards of directors experience role ambiguity. The self-assessment process can help capacity-builders to identify those areas where the board is struggling the most. Findings from this study suggest that by investing in efforts to reduce board ambiguity, such as having board retreats and formalizing voluntary board service, are not only received well, they also seem to result in increased perceptions of performance. While many boards lack formal structures and procedures (Parker, 2007), these findings suggest those who give advice to nonprofits about improving board governance (e.g., nonprofit CEO's, evaluators, and other management consultants) should continue to advocate for these kinds of important investments of time and resources.

Investing in mechanisms to ensure financial accountability seems to have ripple effects. While some nonprofits see these requirements as external compliance burdens (Ebrahim, 2016), stakeholders that require these practices (e.g., accreditors, auditors, legislators) may be adding value to the nonprofit organization in unintended or unexpected ways. With respect to the finding about evaluating the performance of the CEO, again, those who give advice to nonprofit organizations about how to strengthen its leadership (e.g., evaluators, management consultants, funders) should continue to advocate for annual performance appraisals and help nonprofits to build and nurture the relationship between the CEO and the board.

Thinking a bit more about the finding that board members do not necessarily make the link between board giving and performance, it seems reasonable to conclude that it may not only be important but also helpful for those seeking to build nonprofit capacity to communicate the performance implications of board giving to the board of directors. The data in this study suggest that board members may be thinking in instrumental terms when assessing performance (i.e., if we have a strategic plan we will perform better) rather than thinking about how certain behaviors or practices might signal strong performance to external stakeholders (e.g., successful organizations have high levels of board giving). As long as board giving is touted as an important indicator of organizational success, and/or funders require 100% board giving before awarding a grant, board members should at least understand performance-related implications of their decision making. That is, it could be the case that boards with low levels of giving may be perceived to have corresponding levels of organizational health, while those with high levels of board giving are believed to be strong and successful.

Finally, the findings from this study show how self-assessments can be a valuable evaluation tool. On the one hand, a self-assessment is valuable in its own right, helping to gather important formative feedback about the board's performance, informing capacity-building efforts to make organizational changes and improvements. On the other hand, when the findings from self-assessment tools are pooled together collectively, across a large sample of boards, they offer new insights and information contributing to the evidence related to good nonprofit management and governance practices.

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