



# Self-Evaluation for Nonprofit Boards

**Boards that evaluate themselves are more effective, and their organizations have better financial outcomes.**

By Jeff Hannah

**B**oards don't like to make the news. Yet because of lax board oversight, poor decision-making, or a board member's improprieties, there's no shortage of screw-ups that have brought unwanted scrutiny—and unflattering headlines—to governance boards across the country.

Perhaps some of these problems could have been avoided with stricter adherence to bylaws or more thorough vetting of potential directors. But one of the best ways for a governance body to monitor itself is on-going evaluation of its performance and processes.

Rigorous self-evaluation is a hallmark of a strong work team, and it's no less essential for the teams charged with providing direction to nonprofits. As important as strategic planning and program development, evaluation can optimize board performance, resulting in decreased administrative costs, fewer

wasted resources, improved financial outcomes, and enhanced community image.

When surveyed, CEOs consistently indicate that a board that self-evaluates is perceived as more competent.<sup>1</sup> Boards that don't evaluate themselves run the risk of falling out of touch with their constituents and making themselves ineffectual and irrelevant.

The functions of self-evaluation are to identify ways to (1) enhance the board's effectiveness, (2) increase the knowledge and skills sets of individual officers and board members, and (3) improve the organization's performance and outcomes.

## BEFORE YOU BEGIN

Before self-evaluation can begin, the CEO and board chair, along with other senior executives and officers, need to select or create a survey. This survey will form the basis of the evaluation, so it's important that survey items measure criteria that are key to board performance.

Before administering the survey, be sure each item is specific so that feedback will be concrete and actionable. Include open-ended survey items, to more deeply explore respondent perceptions (for example, "Identify the top three topics for board education in the next year.") Also make certain to phrase

evaluation items positively rather than negatively ("The board minimizes organization's exposure to risk" rather than "The board doesn't place the organization in a position of excessive exposure to risk."). Use a consistent, easily-understood rating scale, such as Strongly Agree/Agree/Disagree/Strongly Disagree.

There are three levels of board evaluation:

## 1. FULL BOARD SELF-EVALUATION

The first level—self-evaluation of the full board—should be completed every two to three years. During this evaluation, the board should review its strategic goals, asking: Have our objectives been accomplished—our measurable targets met—within prescribed time frames? And if not, why not?

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### Make Self-Evaluation a Regular Thing

Ideally, a board should review strategic objectives at regular intervals throughout the year, to allow mid-stream adjustments. One nonprofit board, for instance, decided during a mid-year assessment that a fundraising goal was no longer achievable in light of a weakened economy. Subsequently, the goal was scaled back to a more realistic target.

Be sure to phrase evaluation items positively rather than negatively.

## A board that self-evaluates is perceived as more competent.

There are two common ways to administer full board evaluations:

(1) Survey all board members. When using this option, let directors complete the survey tools independently, on their own time. Then compile and aggregate results to ensure the anonymity of responses.

(2) Delegate the task to a board committee, such as the governance committee. (If you don't have a governance committee, you can use the nominating committee.) The difference between this and the first option is that, with this method, specific feedback from the governance (or nominating) committee is critical.

Full board evaluation measures the criteria that are key to functioning at a high level. For instance, you might include the following survey items to evaluate the full board, asking board members to rate each item from Strongly Agree to Strongly Disagree:

- Maintains appropriate balance between strategic and operational focus.
- Effectively monitors key financial and non-financial indicators.
- Assures that discussions at board meetings are open and that everyone provides input.
- Focuses on long-term sustainability through funding diversification and balance.

The evaluation should also examine the relationship of board members with executives, with the community, and with donors and constituents, as well as relationships within the board itself.

After you've tallied the surveys, schedule a meeting of the full board. Have board members review the results and, on the basis of what the surveys show, answer the following questions:

- What is the board doing well?
- What board functions need to be monitored further?
- What board functions need to change?

Based on their answers to these questions, it's now time for board members to develop action plans to address identified areas of need. (An outside facilitator can be useful in this process.) Action items should be specific, with timelines, deadlines, and observable, measurable outcomes. It's useful to designate a champion for each action item—someone to assure that it gets done. Distribute these assignments among the entire board.

Schedule opportunities for regular updates and progress reports. Updates can become a standing agenda item at board meetings and retreats. Or updates can be covered in special follow-up meetings. It's imperative that progress on action items be continuously monitored and reviewed.

## Self-evaluation is a hallmark of a strong work team.

### 2. SELF-EVALUATION OF BOARD OFFICERS

Formal appraisal of board leadership is a less-common practice than full board evaluation. Considering the critical nature of officers' responsibilities, this is an unfortunate oversight and a disservice to those who hold those roles. Leadership evaluation can accomplish the following:

- Determine if officers are fulfilling expectations for their roles.
- Provide valuable feedback on an officer's leadership and management skills.
- Identify opportunities for individual development and growth.

Such evaluation is best conducted after board members have served in the leadership role for at least one year and then every year or two thereafter. The survey should evaluate officers on their ability to ensure that board practices are followed and that adequate information, resources, and support are provided to committees and directors. Key survey items for the board chair, for

example, might include:

- Ensures that bylaws, policies, and practices are reviewed on a regular basis and updated as necessary.
- Ensures that key financial reports and data are provided to board members in a timely manner.
- Ensures that committee membership reflects diversity of perspective, background, and skills, and is balanced among board members.
- Ensures that an agenda is distributed prior to each meeting and that minutes are distributed in a timely manner.
- Maintains effective, constructive relationship with CEO.
- Effectively and proactively manages problems, conflicts, and issues concerning board members and teams.

Two methods for leader evaluation are: (1) formal review by the governance committee and (2) 360-degree assessment. The 360-degree assessment process gathers a "full circle" of feedback—from the individual being evaluated, selected board members, and senior executives from the organization.

With both methods, after feedback is collected and tabulated, a private meeting should be scheduled with the officer being evaluated. The meeting may be conducted by the CEO or with the governance committee. During this meeting, a development plan should be implemented, addressing areas for improvement through defined goals and timelines. A schedule for regular, consistent follow-up should be clarified in the action plan.

In the spirit of openness and transparency, the board officer may choose to share selected development items with other board members—the rationale being that fellow directors are then able to provide support and reinforcement.

### 3. SELF-EVALUATION OF INDIVIDUAL BOARD MEMBERS

A third level of board evaluation appraises the participation and contributions of individual board members. Such evaluations shouldn't be administered until the member

has completed at least one year of service with the board. After that, evaluation can be conducted every one or two years. Desired outcomes are:

- Identify opportunities to improve members' understanding of the organization, its programs, and constituents.
- Increase people's skills as board members.
- Enhance the quality of involvement in the board.

Director evaluation is most commonly accomplished through member self-evaluation and/or appraisal by the governance committee. A fairly new trend is peer appraisal, in which other directors add their input to the evaluation feedback.<sup>2</sup> Peer appraisal requires a high degree of trust among board members and an environment that values honest, constructive feedback. A well constructed survey with balanced criteria and a well-defined rating scale will help objectify the evaluation process and make it easier to gather meaningful feedback from peers. Key survey criteria with which board directors should be evaluated include:

- Demonstrates understanding of organizational mission, vision, and structures.
- Demonstrates ability to interpret financial reports and data.
- Actively participates in board decisions.

The follow-up meeting may be handled by a high-ranking board officer or a designated representative from the governance committee. As always, the meeting must respect the director's confidentiality and should result in an action plan for development, with specific objectives, timelines, and a schedule for regular follow-up.

### Use Self-Evaluation to Plan Board Training

Evaluating directors can help identify board education, training, and development needs. For example, one hospital board was composed of physicians, hospital administrators, and business people. Not surprisingly, many in the latter group had only fundamental understanding of the hospital's rapidly-changing marketplace—and of healthcare in general. Recognizing a need to foster more consistent understanding of healthcare issues, the board made education a standing agenda item for meetings and retreats, on topics ranging from reading financial reports to leadership and ethics.

Review strategic objectives at regular intervals throughout the year.

### THE ULTIMATE OUTCOME

Self-evaluation is an extremely powerful process. Rigorous, candid evaluation can create a governance team that's confident in its ability to make good decisions and credible to its community and constituencies. It can identify weak structures and practices, reveal areas for board members' development, and allow the board to perform more efficiently and effectively. Evaluation can facilitate a more satisfying director experience, increasing the board's ability to recruit and retain strong membership. Ultimately—significantly—board evaluation can lead to better results and outcomes.

And those are excellent reasons to make headlines. ■

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### Footnotes

<sup>1</sup>Styers, David, "Board, Assess Thyself: Board Self-Assessment," BoardSource seminar, Des Moines, Iowa, April 13, 2010.

<sup>2</sup>Combes, John R., M.D., "Peer Perspective Deepens," *Hospitals & Health Networks*, (9): 56.



Evaluating directors can help identify board education needs.

### Stay on Top of Governance Change

See the following *Nonprofit World* articles ([www.snpo.org/members](http://www.snpo.org/members)) for more on self-evaluation and creating a high-performing board:

- **Eight Questions Every Board Needs to Answer** (Vol. 22, No. 3)
- **How to Assess and Improve Your Board's Performance** (Vol. 24, No. 1)
- **Five Golden Rules for Board-Exec Retreats** (Vol. 26, No. 1)
- **Can Standing Committees Contribute to High-Impact Governing?** (Vol. 25, No. 2)
- **Leading and Managing Governance Change** (Vol. 26, No. 3)
- **35 Questions that Will Transform Your Board** (Vol. 24, No. 3)
- **A Board Member Self-Assessment** (Vol. 15, No. 6)
- **Learning Institute on-line: Board Governance** ([www.snpo.org/lino](http://www.snpo.org/lino))