



Board Capacity Indicator Guide

Section 1:

Performance of Board on Its Core Responsibilities

Section 2: Perceived Importance of Responsibilities for the Next 1-2 Years

Section 3: Quality of Board Effectiveness Enablers

Available upon request by email: BoardTransformationServices@bgca.org

LEADING EDGE: 2020

GREAT BOARDS, GREAT FUTURES

www.bgcboards.org

OVERVIEW

The Nonprofit Board Self Assessment Tool is designed to help nonprofit organizations assess their board's performance and identify priorities for board activities going forward. We believe this combination of performance assessment and priority-setting is the foundation of superior nonprofit board performance over time. The tool should be used with our framework for nonprofit board responsibilities, which describes in detail the key elements of effective nonprofit board governance. The output of the assessment is intended to focus discussion among board members around the governance activities that will result in the greatest benefit for the organization. The tool may be used by nonprofit managers and board members:

- To identify the areas of board performance that are strongest and those that need improvement
- To identify priority areas for the board to focus on over the next 1 or 2 years
- To allow different views to emerge – the difference between responses given by two groups of board members or by the board and senior staff can be tracked and used to start a discussion

Superior board performance across the full range of nonprofit institutions cannot be precisely defined. Distinctive performance for each of the dimensions is therefore not intended to be precisely accurate for any single institution. In fact, institutions rarely need to perform at a distinctive level in every area. A board committee, rather than the entire board, can often handle specific responsibilities and bring topics forward for full board discussion as needed. Respondents should use their best judgment to rate their board in the spirit if not in the letter of the performance description. The scores are meant to provide a general indication – a “temperature” taking – of a board’s performance, in order to identify potential areas for improvement.

Please make generous use of the comments section to expand on or explain your ratings. We typically find summaries of anonymous comments as helpful as the ratings themselves in surfacing issues.

This tool is meant to create an informed starting point for discussion among the leadership of a nonprofit. Informed discussion and commitment to address priorities results in board effectiveness. We encourage you to adapt the tool to meet your own organization’s governance needs, and we appreciate any feedback on how to improve the usefulness of this tool.

GUIDELINES FOR ASSESSORS

The Nonprofit Board Self Assessment Tool has three sections:

1. Performance of the board (or board committee) on its core responsibilities
2. Perceived importance of responsibilities for the next 1-2 years
3. Quality of enablers in place to support board effectiveness

In sections 1 and 3, "Performance of board on its core responsibilities" and "Enablers of board effectiveness," mark the box in each row that is closest to describing the situation at hand; descriptions will rarely be a perfect match, so use the comments section to expand on any aspect of performance that you wish.

If a row is not relevant to the organization assessed, write "N/A" in the comments section; if you simply have no knowledge, write "D/K."

For each of the responsibilities in Section 2, "Perceived importance of responsibilities for the next 1-2 years," indicate how important you believe it will be for the board to focus on each area in order to make the most positive impact on the performance of the organization. Since the board cannot focus on all responsibilities with equal weight at the same time, the ratings are intended to indicate relative priorities for each responsibility.

Please return your completed tool to the administrator, who will collate the results and compile an anonymous summary of comments for board discussion.

Please identify your role in the organization:

Board Member _____ Management _____ Other _____

Approximate time needed for completion: 30 minutes

AREAS COVERED BY THE ASSESSMENT'S THREE SECTIONS

SECTION 1: PERFORMANCE OF BOARD ON ITS CORE RESPONSIBILITIES

Shape mission and strategic direction

- Clarify mission and vision
- Participate in and approve strategic and policy decisions

Ensure leadership and resources

- Select, evaluate, and develop CEO
- Ensure adequate financial resources
- Provide expertise and access for organizational needs
- Build reputation

Monitor and improve performance

- Oversee financial and risk management
- Monitor organizational performance
- Improve board performance

SECTION 2: PERCEIVED IMPORTANCE OF RESPONSIBILITIES FOR THE NEXT 1-2 YEARS

SECTION 3: QUALITY OF BOARD EFFECTIVENESS ENABLERS

- Size and structure
- Composition
- Leadership
- Processes

McKINSEY & COMPANY NONPROFIT BOARD SELF ASSESSMENT TOOL – LONG FORM

SECTION 1: PERFORMANCE OF BOARD ON ITS CORE RESPONSIBILITIES

Shape the mission and vision	1 Poor	2 Average	3 Good	4 Distinctive	Comments
Common understanding of mission	Active and open disagreement about mission	Board members appear to share surface understanding of mission; disagreements may exist at deeper level although they have not been raised	Board members share common understanding of mission although it has not been stressed tested through discussion	All board members share a common understanding of the mission that has been stress tested through discussion	
Common understanding of vision (i.e., what the organization aspires to become in 5 years)	Board members lack understanding of vision is as distinct from mission	Vision not formalized; board members' understanding of vision not aligned with likely disagreement over what is achievable	Board members appear to have a common understanding of the vision; vision not documented and/or lacks concrete goals	All board members share common understanding of where organization wants to be in 5-10 years; vision is well documented with concrete goals	
Use of mission and vision in policy/strategy decisions	Board members do not refer to mission and vision in their discussions on policy/strategy	Board members infrequently refer to mission and vision in discussions on policy/strategy	Although not formalized, board members frequently refer to mission and vision in discussions on policy/strategy	All major policy/strategy discussions include explicit consideration of fit with mission and vision	
Process for raising mission and vision issues	Board has no formal process to engage board in reviewing the mission and vision	Informal discussion within small groups on mission or vision; Issues of mission/vision rarely raised to board for broad discussion	Informal and active discussion within small groups with issues (e.g., relevance of mission) brought before the board on ad-hoc basis when there is enough momentum	Formalized process (e.g., board retreats) to foster active board member participation in examining mission-related issues	

McKINSEY & COMPANY NONPROFIT BOARD SELF ASSESSMENT TOOL – LONG FORM

SECTION 1: PERFORMANCE OF BOARD ON ITS CORE RESPONSIBILITIES

Engage in strategic planning and policy decisions	1 Poor	2 Average	3 Good	4 Distinctive	Comments
Process for strategic planning and quality of board participation	No formal process for strategic planning and little takes place	Formal process exists but used on ad-hoc basis; mainly staff driven with very little involvement by board members in developing the plan; board largely “rubber stamps” plan with limited discussion	Process exists for developing strategic plan but does not specify the framework for strategic planning (e.g., main elements/issues that plan must address); mainly staff-driven; active discussion by the entire board before approving the strategic plan	Formal process for board involvement that specifies broad framework (timing and content) for strategic planning; joint board and staff ownership of strategic plan with some board members heavily involved; active discussion by the entire board supported by needed facts/materials before final approval	
Quality of strategic plan	No formal plan; board members/staff would not describe key points of the strategy in the same way	Strategic plan exists but has major holes in one or more of: goals, situation analysis, options considered, expected outcomes, resource implications, responsibilities	All key strategic elements addressed in plan; clear linkage of programs to mission and vision; unresolved issues identified for further investigation	Robust plan covers all key strategic elements; agreed upon program outcomes are tightly linked to mission and vision and results inform subsequent decisions; clear plan for closing resource gaps if any	

McKINSEY & COMPANY NONPROFIT BOARD SELF ASSESSMENT TOOL – LONG FORM

Engage in strategic planning and policy decisions	1 Poor	2 Average	3 Good	4 Distinctive	Comments
Agreement on distinction between board-level and management-level decisions	There is frequent disagreement between board/individual members and staff on appropriate level of board involvement in issues; CEO/staff feel “micromanaged” or “unsupported”; board feels disconnected	Debates, when they occur, usually involve the behaviors of one/a few members; board/staff feel surprises (need for rapid decisions or surprising decision outcomes) occur more frequently than necessary	Board and staff have high-level understanding of distinction between board and management decisions; all parties believe current model generally works well, but a few notable surprises mark recent history	Board and staff have a shared understanding of relative roles (written or explicitly discussed); all parties feel their views are heard in the process; frequent interaction between CEO and Board Chair ensure “no surprises” environment	

McKINSEY & COMPANY NONPROFIT BOARD SELF ASSESSMENT TOOL – LONG FORM

SECTION 1: PERFORMANCE OF BOARD ON ITS CORE RESPONSIBILITIES

Select, evaluate and develop CEO	1 Poor	2 Average	3 Good	4 Distinctive	Comments
Succession planning	Board has no clear succession plan	Board has informal discussion with CEO on succession and on identifying candidates before need for a CEO transition arises	Board has explicit view on succession and works with CEO to identify internal candidates with leadership potential	Board has explicit view on succession and actively works with the CEO to identify internal candidates and provide development opportunities for the top 3-5 candidates to “round out” their skills	
Evaluation and development process	Evaluations are subjective and occur on ad-hoc basis; most board members are unaware of process or feedback messages	Evaluations performed annually against pre-agreed criteria; board members have opportunity to provide input to process	Evaluations performed formally and at least annually against pre-agreed criteria; written feedback messages reinforced through CEO compensation	Evaluations performed at least annually against pre-defined criteria; evaluation includes 360-degree feedback and includes a self-assessment by the CEO. Written feedback includes skill development plan. CEO compensation decision reinforces view of performance	
Search process (when required)	Little discussion of criteria for new CEO; roles/ decision-making process unclear	Limited discussion of criteria and search plan by board; board members feel “left out” of process; frustration with quality of candidates considered	Formal criteria and plan discussed at board; internal and external candidates considered and at least one strong candidate emerges	Formal search criteria, expectations for first 2 years, and search plan receive broad board support; internal and external candidates reviewed and “true choice” between qualified candidates can be made	

McKINSEY & COMPANY NONPROFIT BOARD SELF ASSESSMENT TOOL – LONG FORM

SECTION 1: PERFORMANCE OF BOARD ON ITS CORE RESPONSIBILITIES

Ensure adequate financial resources	1 Poor	2 Average	3 Good	4 Distinctive	Comments
Financial needs assessment	No clear understanding of gaps in resources needed	Board has some understanding of resources needed, mainly from discussions around budget	Board understands gaps in resources needed for coming year and feels “ownership” of need, given the potential impact on current programs	Board works with staff as a part of strategic planning process to develop a multi-year view of funding requirements and trade-offs embedded in different resource levels; board feels strong ownership for the targets	
Individual donations to the organization	Individual board members’ financial support is inconsistent and routinely misses goals set for the board; board members are unclear on collective and individual expectations	Board members’ financial support varies by individual; Some board members give consistently; others could give/were expected to give more; expectations for support not well understood prior to joining board	Most board members donate consistently to the level they are expected to give; board meets but does not usually exceed “donation” goals	All board members financially support organization, which is a priority for each board member’s charitable giving; board consistently meets/ sometimes exceeds “donation” goals	
Involvement in fundraising planning and execution	Board members’ role in raising funds is not commonly shared and involvement in fund-raising is isolated in a few directors.	Board occasionally introduces staff to contacts for fund-raising but no systematic effort undertaken	Directors acknowledge fund-raising responsibility and work with staff to develop fund-raising plan and introduce staff to contacts with some frequency	Board and staff develop clear plan to meet fund-raising targets; board introduces staff to potential donors and drives fund-raising activities when necessary	

McKINSEY & COMPANY NONPROFIT BOARD SELF ASSESSMENT TOOL – LONG FORM

SECTION 1: PERFORMANCE OF BOARD ON ITS CORE RESPONSIBILITIES

Provide expertise and access for organizational needs	1 Poor	2 Average	3 Good	4 Distinctive	Comments
Board understanding of needed access and influence to support organizational objectives, (e.g., legislative access, community access)	Topic of access not specifically discussed or seen as source of board assistance to organization	Board understanding of needs for access based on periodic requests from CEO; needs largely determined on reactive basis to need of the moment	Board understands needs based on strategic planning discussions with CEO/staff, although specific plans or relationship goals are not identified	Needs for access and influence based on strategic view of organizational objectives; needs identified in detail to allow meaningful roles to be identified for individual directors	
Ability of board to provide access and influence needed	Board plays no role providing access or influence for organizational needs	Board provides access and influence sporadically but many needs not addressed, or support is seen to be of little value to the organization	Board provides access to most needed individuals and institutions; access and influence seen as of moderate value to institution	Board proactively reaches out to further organizational goals and is frequently very influential in achieving them	
Board understanding of expertise needed for organizational objectives, e.g., financial, strategic, subject matter expertise	Topic of expertise not specifically discussed or seen as source of board assistance to organization	Board understanding of needs for expertise based on periodic requests from CEO, needs largely determined on reactive basis to need of the moment	Board understands needs based on strategic planning discussions with CEO/staff	Needs for expertise based on strategic view of organizational objectives; needs identified in detail to allow meaningful roles to be identified for individual directors	
Ability of board to provide expertise	Board does not see providing expertise as a vital role and rarely offers assistance	CEO reaches out to individuals for assistance; help generally seen as of modest value to organization; some gaps in available expertise versus needs	Board members volunteer/ access expertise and can cover most typical needs; skills seen as valuable to organization	Board expertise addresses most needs and is seen as source of distinctive value to organization	

McKINSEY & COMPANY NONPROFIT BOARD SELF ASSESSMENT TOOL – LONG FORM

SECTION 1: PERFORMANCE OF BOARD ON ITS CORE RESPONSIBILITIES

Build reputation	1 Poor	2 Average	3 Good	4 Distinctive	Comments
Board understanding of reputation objectives and of the role the board can play in building/enhancing reputation	Topic of building reputation not a priority and not specifically discussed/seen as a board role	Reputation objectives understood in vague terms with little differentiation of the message between target communities	Board understands key goals and differences between target communities; plan for board activity is largely undeveloped	Needs for reputation building based on strategic view of organizational objectives; needs identified in detail to allow meaningful roles to be identified for individual directors	
Board effectiveness in enhancing reputation of organization in the relevant communities	Board plays almost no role in helping build/enhance the reputation of the organization in relevant community	Individual board members participate when invited to community events; effectiveness of board activity unclear	Gaps exist vis-à-vis some key constituencies; board member effectiveness as reputation builders varies greatly	Board members proactively reach out in community to build awareness and excitement about the organization; board members seen to be very effective ambassadors for organization	

McKINSEY & COMPANY NONPROFIT BOARD SELF ASSESSMENT TOOL – LONG FORM

SECTION 1: PERFORMANCE OF BOARD ON ITS CORE RESPONSIBILITIES

Oversee financial performance, ensure risk management	1 Poor	2 Average	3 Good	4 Distinctive	Comments
Board role in financial planning	1-year budgets prepared with little input from board	Board actively reviews annual financial plan; investment objectives generally understood, but not clearly communicated to fund managers	Board reviews and approves 3- to 5-year financial plan; written investment policy guides actions of fund managers	Board's active involvement in preparing/reviewing multi-year financial plan results in robust discussion of resource allocation, funding plans, and investment objectives in context of strategic goals	
Ongoing monitoring of financial and investment performance	Sporadic or infrequent review of results vs. budget with little opportunity for timely intervention; few board members feel they understand financial reports	Board monitors financial statements at set intervals (monthly or quarterly); open issues requiring more investigation or "surprise results" are common occurrences	Board monitors financial results regularly; staff can answer most questions and responds in timely and thoughtful manner to more complex inquiries; discussion not as "forward-looking" as some board members would like	Board monitors financial statements regularly; key performance indicators routinely reported to whole board; well-prepared staff can explain variances and discuss potential corrective actions; "no surprises" because of trust-based communication with staff	
Fiduciary and other regulatory compliance	No independent audit of financial results or processes; Limited understanding of the compliance required to regulatory bodies	Independent audit performed and results discussed between board and auditor; little board involvement with compliance to other regulatory bodies	Independent audit performed; results discussed with the board; board reviews reports to/from key regulatory bodies	Board ensures timely, independent audit of results and internal processes; board understands compliance required to regulatory bodies; feedback from auditors/regulators forms basis of recovery plan monitored by board	

McKINSEY & COMPANY NONPROFIT BOARD SELF ASSESSMENT TOOL – LONG FORM

Oversee financial performance, ensure risk management	1 Poor	2 Average	3 Good	4 Distinctive	Comments
Board role in risk management	No clear understanding or discussion of risks/ exposures facing organization	Some discussion of key risks and mitigation strategies (insurance), but effort is largely ad hoc or in response to an event and does not cover all major exposure categories	Board annually reviews financial and other risks as well as mitigation policies, but surprises regarding exposure or gaps in coverage do occur	Board annually reviews potential sources of risk and mitigation plans; surprises or gaps in coverage are few	

McKINSEY & COMPANY NONPROFIT BOARD SELF ASSESSMENT TOOL – LONG FORM

SECTION 1: PERFORMANCE OF BOARD ON ITS CORE RESPONSIBILITIES

Monitor performance and ensure accountability	1 Poor	2 Average	3 Good	4 Distinctive	Comments
Board involvement in developing performance metrics	Performance against mission is discussed infrequently with no pre-determined goals	Discussion of strategy leads to setting programmatic goals for year. Most goals focus on activity levels (e.g., meals served)	Board works with staff to set goals for 1- to 3-year period; metrics include activity levels and some efficiency or effectiveness measures	Board works with staff to set outcome based metrics and goals as well as activity/efficiency metrics; targets set for 1 to 3 year period. Performance of comparable institutions is used to inform targets	
Process for monitoring performance	No formal process for monitoring program performance exists	Infrequent discussion of performance and no feedback to the strategic planning or CEO evaluation	Routine discussion of performance against programmatic objectives but no clear feedback mechanism into strategic planning or CEO evaluation	Board routinely monitors and discusses the performance of program/organization and uses results to inform the strategic plan, resource allocation, and evaluation of the CEO	
Board understanding of accountability	Board does not view itself accountable to any stakeholders	Limited discussion of accountability. Divergent views regarding key stakeholders	Board discussion of accountability occurs in unstructured format results in consensus; discussion not turned into action, e.g., stakeholders communications	Board identifies primary stakeholders and ensures that performance results are communicated effectively to the stakeholders	

McKINSEY & COMPANY NONPROFIT BOARD SELF ASSESSMENT TOOL – LONG FORM

Monitor performance and ensure accountability	1 Poor	2 Average	3 Good	4 Distinctive	Comments
Process for obtaining and using feedback from stakeholders	Board has no process to obtain feedback from mechanism stakeholders	Feedback from stakeholders is limited to presentations by staff or “highlights”/ presentations/ interactions with service recipients at board meetings; not all stakeholders represented.	Board does receive positive and negative feedback from stakeholders but feedback is anecdotal; board discusses feedback with CEO/staff and agrees on areas of improvement	Board has formal process in place (e.g., stakeholder committee) to obtain feedback from stakeholders without filters by the staff; board ensures that the results from the stakeholder feedback are used to inform strategy and resource allocation	

McKINSEY & COMPANY NONPROFIT BOARD SELF ASSESSMENT TOOL – LONG FORM

SECTION 1: PERFORMANCE OF BOARD ON ITS CORE RESPONSIBILITIES

Improve board performance	1 Poor	2 Average	3 Good	4 Distinctive	Comments
Goal setting for the board as a follow-on to strategic planning	No specific goals exist for the board	Board translates strategic plan into goals in an ad-hoc manner and does not assign responsibilities to board committees	Board translates strategic plan into goals only in certain categories like fund-raising	Board translates the strategic plan for the organization into a set of concrete goals for the board and board committees, including timelines and required staff support	
Evaluation of board performance against goals	No evaluation is conducted by the board on its performance against the goals	Board informally evaluates its performance on major objectives	Board formally evaluates its performance on major goals but no feedback mechanism exists to improve board functioning	Board evaluates its performance against the goals and uses the lessons learned to develop plans to improve board effectiveness	
Process for evaluating individual directors	No process in place for individual member performance	Evaluations of individual directors occur informally as part of re-nomination process. Evaluations are light touch and board seems to have a lot of “deadwood”	Board committee in place to evaluate individual director performance jointly with director at time of re-nomination; most board members are seen as valuable contributors to organization governance	Board committee in place to evaluate individual director performance periodically and jointly discusses how to help a director give his/her best to the organization; little collective tolerance for directors who are not active in organization governance and support	
Developing a plan for improving board performance over time	Board discussion of its own performance is very limited and largely unstructured	Informal process for evaluating board performance is largely CEO/chair driven and plan for improvement is not widely known by directors	Board organizes to review performance every several years; board leadership generally seen to have a plan for improving performance	Formal process (e.g., annual self assessment) results in a clear plan for improvement; board collectively owns the topic of improving its value to the organization	