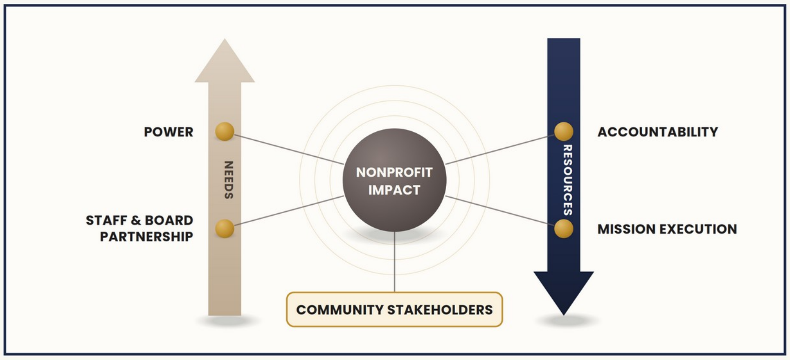
MEASURING GOVERNANCE TO OPTIMIZE NONPROFIT IMPACT

Aligning the Nonprofit Governance Function and Centering Communities Amid Unprecedented Fiscal Pressure



JULIET BUDER & MINAKSHI VELAMOOR

Table of Contents

Click a title to jump to that section.

Executive Summary

This meta-analysis synthesizes recent surveys, studies, practitioner experience, academic research, and community feedback (1.) to highlight structural challenges plaguing the nonprofit sector; (2.) to recommend a new measurable, governance paradigm; and (3.) to propose an intervention. Nonprofit operating models rely on governance structures that are often created through bureaucratic rather than strategic decisions, eroding the full impact possible through a nonprofit's services. The authors draw on longitudinal data, research, peer-reviewed literature, and decades of combined board and staff leadership at 13 nonprofits across the country to posit the sector is ripe for disruption. They recommend a data-driven approach to measuring and reimagining governance architecture to align and optimize stakeholders, resources, and mission delivery to communities. The authors make the case that nonprofit governance has historically been overlooked as a continuous benchmark signal and ultimately this disregard creates fiscal waste. Rather than proposing one specific governance design, the authors provide data and pathways to help organizations assess their mission, needs, values, and resources across five different dimensions. They also encourage all organizations to reject any historic governance trends, past practices, and maintenance of the status quo, if the inherited governance architecture is not actively optimizing resources. The authors are committed to the creation of an open, accessible, measurable, cost-effective intervention to increase efficiency, disrupt the nonprofit sector and leverage this moment of fiscal crisis for transformation.

Nomenclature References

Throughout this paper when we refer to a “board” we are referring to a group of elected or appointed officials who are fiduciaries of an organization, hold legal liability for a 501(c)(3), and are responsible for governance of an organization. “Trustees” and “directors” are the most common titles associated with boards, who are collectively referred to as a “Board of Trustees” or “Board of Directors.” When we utilize the term “board” we are referring to a Board of Trustees and/or Board of Directors of a 501(c)(3).

When we refer to “governance architecture” we are referring to the policies, process, formal and informal practices, bylaws, term lengths, committees, stakeholders, and decision-making structures within an organization. These are the “laws” within a nonprofit that determine the flow of power, responsibilities, accountability, and how the organization's staff, board and associated committees/subcommittees/task forces of volunteers engage with the organization at large.

The "nonprofits" or "nonprofit organizations" referenced in this paper are 501(c)(3) organizations that have missions aligned toward social impact. They support communities through distributing resources, support, services, and/or programs to individuals and groups of individuals in need. While we recognize that grouping all nonprofit organizations together for the purpose of this analysis omits critical distinctions that exist among nonprofit organizations, we have done so in order to surface areas for growth and opportunities applicable to the sector as a whole. The nonprofits that will likely benefit the most from the recommendations within this paper have budgets of $1M–$10M. "Centering" community refers to the fundamental, active power shift toward individuals closest to the gap/challenge/needs a nonprofit's mission is fulfilling. Leveraging the lived experiences, data, and knowledge of those who have the most experience with an issue in decision-making optimizes resources and impact.

Nonprofit "Executive Director" and "CEO" are used interchangeably in this paper in reference to the staff member at a nonprofit organization with the most seniority. In traditional governance models, this individual reports to the board.

"Measuring" refers to assessing and gathering data to track the performance (effectiveness and efficiency) of a function, program, initiative, or organization toward data-driven, documented objectives.

Introduction: An Outmoded Sector in Crisis

The United States social sector is navigating an unprecedented systemic crisis. The United States nonprofit sector comprises 1.9 million registered organizations collectively raising an aggregate of $3.7 trillion and spending $3.5 trillion annually. 12.8 million people are employed by the sector, making it the third-largest employment category in the private economy. Historically, the sector's contribution to Gross Domestic Product (GDP) has tracked between 5.3% and 5.5% of total United States GDP. **If the US social sector were a standalone economy, its total financial volume would equate to a rank among the top 10 largest economies in the world.**

Nonprofits are currently functioning as a social safety net, fulfilling essential societal needs including food, housing, healthcare, and education for both the general population and economically disadvantaged Americans. Yet, most Americans do not know much about the philanthropic sector. And it is in turmoil as a workforce shortage continues to leave already understaffed nonprofits with vacancies. Nearly 75% of organizations report persistent vacancies due to burnout, limited compensation, and increased professional expectations due to increasing community needs. Only 41% of nonprofits can pay their staff a living wage and 22% of nonprofit employees struggle to afford basic necessities. 95% of nonprofit leaders are concerned about staff burnout with nearly 50% finding it difficult to fill staff vacancies. This data aligns with self-reports from nonprofit staff – 70% are actively seeking new employment.

Nonprofit staff turnover ranges from 19-21% annually, which is roughly 58% higher than the average across other industries. This turnover interrupts mission delivery, funder relationships, and cannibalizes already stretched budgets. Beyond acknowledging these trends in reference to nonprofit employees, there is an enormous cost involved. Nonprofit personnel expenses are typically 60-80% of a nonprofit's total budget, while turnover costs for all sectors are 33%–200% of an employee's salary.

And while many of these trend lines have been detectable for decades, it's now widely reported that the nonprofit sector is in crisis, at an inflection point, quietly collapsing, and headed toward a fiscal cliff. 69% of nonprofits have reported funding cuts while 65% report increased demand for their services. 21% of nonprofits have lost at least some government funding in early 2025, and 27% experienced a delay, pause, or freeze. See additional details in the appendix.

Staff and resources within the US Department of Education, US Environmental Protection Agency (EPA), U.S. Department of Health and Human Services (HHS), and USAID are being emptied. These cuts do not eliminate need; they merely transfer it directly onto under-resourced nonprofits. Regardless of data points or adjectives one uses, it's abundantly evident that the sector is facing an unprecedented fiscal pressure and the nonprofit workforce is burnt out. What is the result of this? **Our most vulnerable populations who rely on nonprofits to meet fundamental necessities are not having their needs met**.

Nonprofit boards are charged with safeguarding organizational assets, ensuring long-term sustainability, managing risk, and advancing mission effectiveness. But how is the fulfillment of these responsibilities measured? When personnel costs are impacting organizational capacity and fiscal stability, boards have a responsibility to act. But, are they acting? Do they have the people and resources they need to act? And, given the current fiscal environment, what action is within their reach? **Perhaps, the answers lie in the lack of measurement in the governance function of organizations and the growing misalignment between a community's needs, and the nonprofit governance architecture intended to support them.**

The philanthropic sector is not resourced, prepared, or structured to support communities. An intervention is needed now to measure, reform and rehabilitate nonprofit governance functionality in a sector that has historically avoided disruption and overlooked well-documented inefficiencies. **For philanthropy to truly meet the needs of the 3rd millennium and support 140,000,000+ Americans relying on the sector, governance functionality must be measured and aligned to community needs.**

Nonprofit Governance: What's Missing and Why it Matters

Nonprofit governance practices are designed to provide legal, ethical, and financial accountability for the paid staff and volunteer board of a 501(c)(3). Traditionally, a board composed of volunteers employs a professional executive, who manages paid staff. The board is led by a “Chair” or “President” who is a volunteer leader responsible for the organization as a whole and the board itself. Many boards contain “Executive Committees” to disperse ultimate power and decision-making among a group of volunteer leaders, who each have a length of time they are serving in their role called a “term.” Most boards divide and delegate responsibilities among committees that support key functionality within an organization including governance, finance, and fundraising. Many boards also have committees, subcommittees, and/or task forces with more defined scopes such as marketing, social engagement, programming, events, and financial investments.

Organizations typically have a formal set of responsibilities that board members agree to execute, which often include details about board meeting attendance, service on committees, renewability of service terms, and/or philanthropic commitments. Most nonprofits are unfortunately utilizing the systems and frameworks intended to offer delegation efficiency in a way that does not meet their strategic, programmatic, and fiscal needs.

In theory, the governance architecture of a nonprofit can produce collaboration, partnership, and amplified impact by leveraging volunteer bandwidth in combination with professional expertise. But, unlike the clear, quantifiable, and data-driven targets that are available and transparent in fundraising goals, expense reports, event attendance counts, and investment portfolios, governance functionality lacks any type of measurement. As posited by H. James

Harrington, “If you can't measure something, you can't understand it. If you can't understand it, you can't control it. If you can't control it, you can't improve it.”

Without clear objectives, governance architecture often produces predictable failures: rubber-stamp boards, executive directors with neither authority nor accountability structures, and community members served by organizations in which they hold no decision-making power. It is the role of a board to optimize resources, including expenses related to personnel. But how can a board optimize resources, expenses, and the organization's resources as a whole if its governance function lacks any type of measurement of its own performance? To be clear, a simple tally of how many trustees are attending board meetings is the antithesis of the continuous benchmark signal that is consequential enough to propel the governance function's performance.

Determining which governance structures, stakeholders, systems, and initiatives are or are not executed are the most important decisions within a nonprofit. Regardless of the presence of a formal committee supporting the governance function and participation by board members, it is the responsibility of the board as a whole to ensure an effective, mission-aligned, and strategic governance model is functioning within an organization. Governance choices determine how power flows within a nonprofit, who is a stakeholder, how someone becomes a stakeholder, and what accountability stakeholders have for the organization. Unfortunately, these decisions are often not strategic choices, and inertia to update or change historic policies, practices, and bylaws are typically too great to overcome. Governance choices are often bureaucratic decisions, if a board does reach a point of consideration at all. And without sufficient education and any type of data-driven approach to governance functionality, dialogue around governance can feel procedural and administrative in comparison to topics that are measurable and tangible within the organization.

Author's Note

We recognize the nonprofit sector is broad and diverse. There are nuances in the sector and within organizations that render the data and claims we present here as imperfect. The data and claims in this paper are neither designed, nor intended to negate, minimize, or criticize the authentic and benevolent desire that individuals have to help a nonprofit organization and the community it serves. There are high-functioning boards led by volunteer leaders in an efficient manner, optimizing resources, and creating transformational results for communities. Our goal is to draw attention to the data and trends that mark the presence of inefficiencies and fiscal waste that we believe are ripe for collective intervention and improvement.

Nonprofit Governance: What Can Go Wrong?

In the most unfortunate cases of governance failure, a board doesn't consciously consider that governance within a nonprofit is a vital function that directly impacts its outcomes. Bylaws and governance reforms often produce paperwork, votes, and policies without producing function. There are measurable documented patterns across both boards and nonprofit staff that showcase that nonprofit governance is not serving its intended function. Based on a lead study tracking and analyzing trends in nonprofit board leadership, 48% of nonprofit leaders and 44% of board chairs report insufficient time spent on board members understanding their roles and responsibilities. Combine this trend with a revolving door of volunteer leaders who are serving with inappropriate term length restrictions (or no restrictions whatsoever), and an organization risks being led by individuals who, while well-meaning:

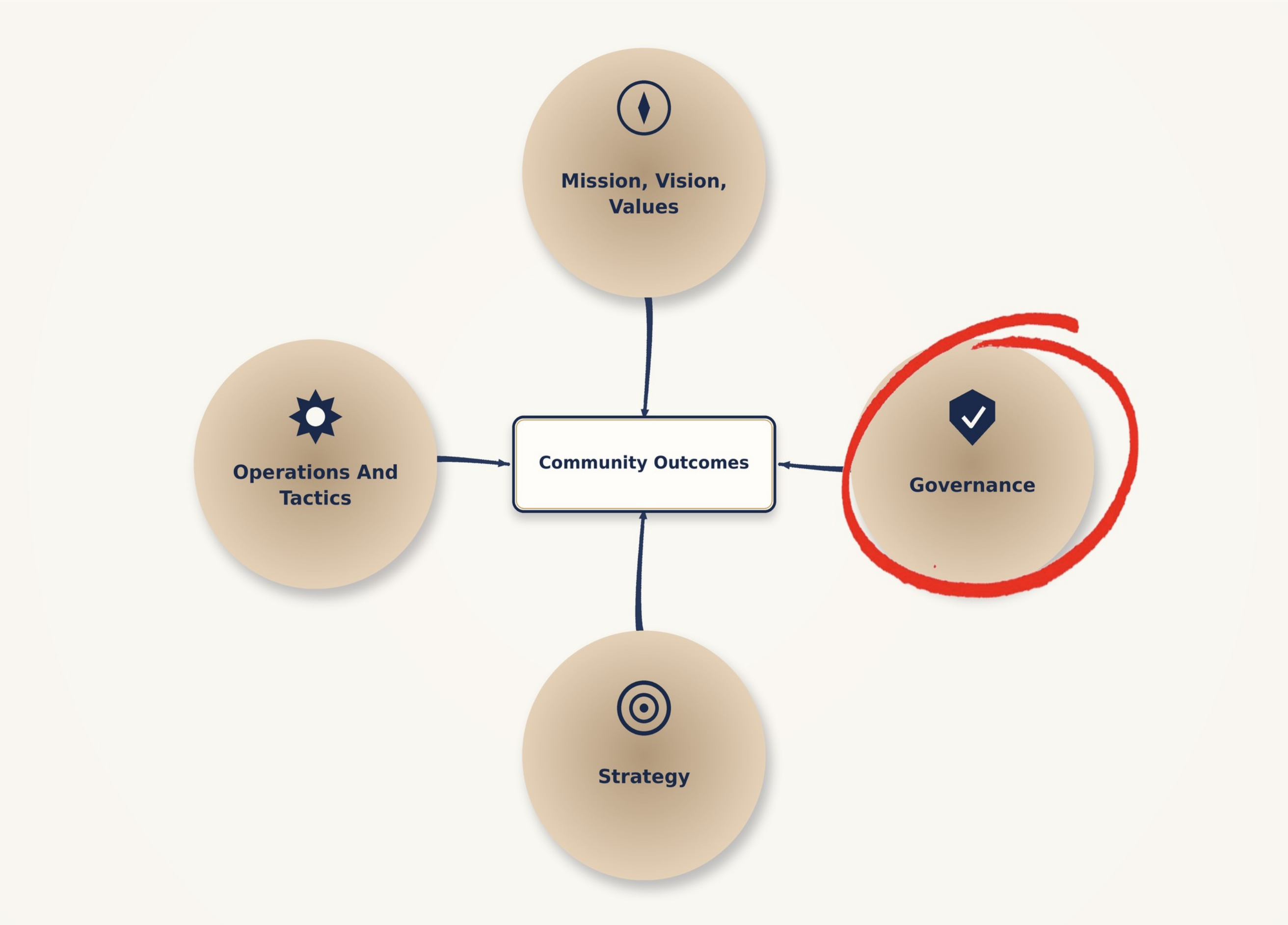
- Have a high degree of confidence and low degree of understanding of nonprofit governing responsibilities
- Have served in a board leadership role for too long, prohibiting disparate perspectives that could support expanded impact and stronger organizational impact
- Are unclear about the purpose and importance of governance practices and the fact that alignment of governance architecture with organizational outcomes in and of itself is a responsibility of board members

- Are serving the organization in a way that aligns with their strengths, skill sets, and vision of what is best for the organization, while not recognizing biases in their own perspective

Data underscores these risks. The Stanford Graduate School of Business and BoardSource's national survey of 924 nonprofit board members found that a majority of nonprofit board members did not believe their fellow directors were experienced or highly engaged in their role as a director/board member. Nearly a third expressed dissatisfaction with their board's ability to evaluate their own organization's performance. These data points not only highlight board members' lack of confidence in their peers' abilities to govern, but also the absence of any measurement or continuous benchmark signal to offer the board visibility into deviations from the organization's mission fulfillment.

Community Needs Must Be Centered in Governance

While motivation to serve an organization as a board member is often fully aligned with a desire to propel an organization forward in a mission aligned way, board members are often disconnected from the communities they serve based on a variety of critical data points. So, the question that must be asked is: Is it possible for the governance function within a nonprofit to be effective if its board members are disconnected from the community it serves? Based on our research, personal experiences, data on the state of the sector, and expert commentary on the topic, the answer in short is "no." Community stakeholders are not often excluded intentionally, but as a result of prioritizing board member perspectives and donor relationships. **The result: Many organizations are unintentionally distancing themselves from community stakeholders through misaligned, haphazard governance architecture equating to operating models and decisions with incomplete data sets.**



Why aren't board members closest to community needs further embedded in boards? Many nonprofit board members are recruited based on their professional identity or personal connections rather than mission competency and governance accountability. Even when there is strategic thought invested in recruiting and diversifying the identities serving on the board, an affinity trap is often at play —harmony, shared perspectives, and similar identities are prioritized over governing capacity. Individuals who are willing to volunteer and connect to board members through their social connections, are sometimes placed in governance roles despite not fully understanding the responsibilities involved in governance.

Available time to serve as a board member is also a significant factor that limits the service of some individuals and enhances the candidacy profile of others. Candidates who have served in organizations with efficient governing structure are deeply familiar with the organization's key performance indicators, and have worked on the ground with the community served by the organization, have the highest likelihood of centering community in their service as a board member.

Communities served by a nonprofit must be centered in all decisions, operations, and governance choices. Depending on the size, mission, stakeholders, and growth objectives, “centering” can take a variety of forms. Regardless of what governance architecture most closely aligns with a nonprofit's desired outcomes, power must be aligned toward mission-oriented outcomes.

Let's consider the example of a fictional Board of Directors of a food bank:

Food Bank Case Study

The board decides to update its annual food drive to focus its procurement efforts on a neighborhood closest to where the majority of its board members live. Historically, the drive has included procurement efforts within all neighborhoods in their community. This approach requires additional board and staff bandwidth in order to canvas a larger area. Past results average 6,000 pounds of consumable food that is immediately available through the food bank, which has recorded more need than capacity to serve for the past 10 years.

Board members determine that it is most efficient and convenient for them to collaborate with local business owners in one neighborhood this year. They offer to open up their homes and leverage personal relationships as a part of this new strategy, and there is greater excitement and interest by board members to get involved in the drive than in past years. The events and marketing efforts feel fresh, fun, and feedback from event attendees and local business owners is overwhelmingly positive. There’s media attention on the events, and the board is featured on the local news and various social media platforms. Local political candidates highlight the organization’s efforts in city council elections, and brand recognition spikes. Results of this year’s strategy equate to 1,500 pounds of consumable food that is immediately available—a decrease of 4,500 pounds. Staff time required to support this strategy was also 15% higher than in years past, equating to $60,000 in HR expenses devoted to this initiative.

What centering community looks like:

> *A board that **does** center community will acknowledge that while their efforts and updated strategy increased awareness by individuals who could help the organization*

in the future, it did not fulfill immediate community needs. Board members will partner with staff to create a plan to secure the deficit—the 4,500 pounds in consumable foods. They will also acknowledge the organization's historic strategy, which didn't garner the same media, political, or trustee attention, but did equate to 6,000 pounds of food procured, needs to be revisited. And ideally, they will carry lessons learned and benefit from their approach this year to strengthen the historic strategy. They will also connect with individuals served by the food bank and/or show up on a day when it's open to ensure that service delivery is occurring as intended. They will be open to direct feedback from individuals served by the food bank and staff about ways to optimize resources. They will recruit individuals who have historically received services from the organization to join a committee or board. Before board meetings, they will review data and benchmarks about the food bank's service delivery to ensure they are versed in operational gaps and challenges in hopes of addressing them collaboratively.

What it looks like when community is not centered:

A board that ***does not*** *center community will insist the excitement, media, and increased engagement of the board are all signs that their approach is working, despite the decrease in food delivered by 75%. They may feel depleted from their efforts, and request staff to figure out a way to secure the outstanding 4,500 pounds in food. They may create a narrative that future years will equate to even more than 6,000 pounds of food procured based on positive feedback they have received. They will insist on repeating their strategy, without data or evidence this is possible. The Executive Director attempts to lift up the 4,500-pound discrepancy as rationale to reconsider the approach, but the board decides to omit a discussion around the immediate loss in food, and fails to acknowledge the families that will be walking away from the food bank expecting their allocation of 3 pounds that they relied on to support their family and stretch a paycheck that does not provide a living wage. They may not realize the impact of their choices and decisions at board meetings, as they have not read reports designed to educate them on the organization's current functioning.*

When board recruitment is driven by social affinity rather than governance competency, predictable dysfunctions often surface. Dissent is at risk of suppression by social obligation. Difficult decisions can be deprioritized to preserve relationships. Mission drift is consistently a risk without clarity around effective governance. Nonprofit board recruitment without a data-driven approach to governance increases a number of additional risks including the creation of individual agendas, administrative drain, an accountability vacuum, and the movement of resources away from its mission.

Isomorphic Mimicry of Corporate Governance Practices

The Sarbanes-Oxley Act of 2002's impact on nonprofit organizations resulted in the facade of an enhanced commitment to governance practices by the sector. Nonprofits adopted corporate governance practices including conflict-of-interest and whistleblower policies when the Act was passed. While the Act was intended to be utilized by the corporate sector and there was no legal requirement that nonprofits apply its provisions, many organizations integrated Sarbanes-Oxley policies through a phenomenon called isomorphic mimicry. While the conditions that created the need for the Act in the corporate sector do not exist in the nonprofit sector, nonprofits regarded these policy updates as best practices. The result of this mimicry is seen across the nonprofit sector today—voluminous documentation, compliance structures, and dozens of organizational policies, without truly effective (or measurable) governance.

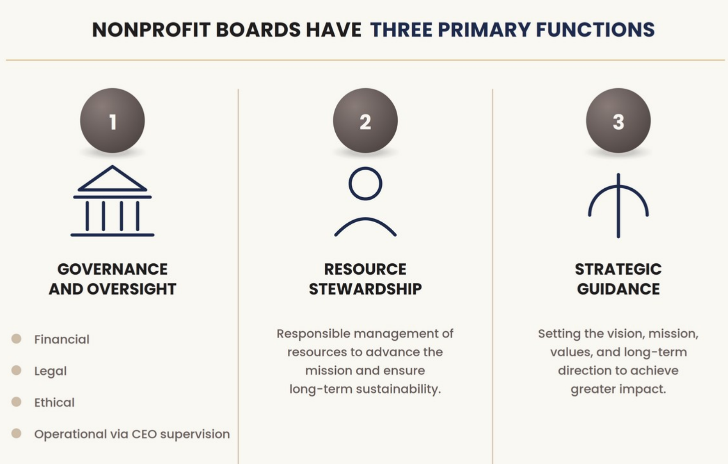
Within organizations, board members are making critical choices about what initiatives are supported with resources (staffing, time, money), what deliverables are executed, and which community needs are consistently and strategically deprioritized, or worse, simply ignored. In order to make these decisions, board members are often presented with a variety of data points, extensive research, and the perspectives of organizational stakeholders. What mechanism ensures these materials and the role of board member itself is approached with the same sense of urgency that the community members impacted by their decisions are feeling on a daily basis, waiting to learn if their needs will be fulfilled? The answer is—there isn't one.

Effective mission delivery requires knowledge that is specific, lived, and current, held by the people being served and those who are on the ground serving them. Nonprofit boards have the opportunity and the obligation, to reimagine governance architecture by measuring it to meet the needs of the current funding environment. Rather than continuing to lament about the lack of funding, resources, stability and people in the nonprofit sector, this moment presents a unique opportunity to improve organizational efficiency for thousands of organizations for years to come through a relatively simple paradigm shift. Governance architecture must be grounded in the needs, priorities, and realities of the communities the organization exists to serve. **By moving from a governance approach that is centered around its members' perspectives and the hope of accountability to a paradigm that measures the governance function through a continuous benchmark signal, governance can evolve into an efficient flywheel, maximizing resources.**

The Abilene Paradox

When a group of people make a decision or take action together in a way that is counter to the preferences of the individuals in the group (yet each individual believes the decision/action represents the preferences of most other individuals in the group) it is defined as an "Abilene Paradox." Each individual in the group believes (in error) that their personal preferences are counter to the group's, and as a result, they do not vocalize their perspectives. Boards that do not debate or discuss decisions are most at risk of experiencing the Abilene Paradox.

Streamlining and Clarifying the Function of a Nonprofit Board



Ideally, a nonprofit professional and the board partner together in a collaborative manner. A nonprofit CEO leads day-to-day operations, manages staff, implements programming, and executes against a strategic plan while a board provides strategic direction, oversight, and stewards the organization's resources. In a healthy partnership, communication between a

CEO and its board is frequent and transparent–the board is informed about organizational performance, opportunities, and risks in a timely manner to support a board's execution of its duties. Board members engage thoughtfully with the information provided by staff to establish strategic priorities that a CEO fulfills.

Strong CEO-board relationships are characterized by collectively prioritizing operational efficiency, mutual accountability, respect, and a willingness to engage in constructive dialogue. Disagreements are addressed openly and professionally, with both parties focused on operational efficiency and mission fulfillment, moving any individual interests aside. Theoretically, the CEO and board are a unified leadership team that responds strategically to community needs, stewards resources, and maximizes mission impact for the community it serves.

Unfortunately, studies in the sector, measurable data, feedback from nonprofit peers (both staff and board members), and our personal experiences working across 13 different nonprofit organizations lead us to the conclusion that it is rare for a nonprofit organization to operate as intended and maximize its mission and community outcomes. Why? The governance architecture that is in place to facilitate an optimal operating environment has not been considered thoughtfully, and may be incongruous with the organization's mission, strategic goals of its board, and the community's needs. Without the appropriate flow of power and information, fiscal waste is rampant.

Board Composition and Mission Delivery

A 2024 report analyzing 59,550 nonprofits showcases diversity within the nonprofit sector. Boards with broader demographic composition and representation often outperform organizations with homogenous constituents in fundraising growth and constituent trust. The assumption that boards must prioritize philanthropic capacity over community representation does not match reality and data. Boards that are accountable through diverse community representation typically earn more trust from funders and the sector's recognition of optimized efficiency through tight alignment with community needs.

As Nick Grono, the author of "How to Lead Nonprofits" and CEO of the Freedom Fund, astutely states, "There is a very real asymmetry of knowledge and power between boards and CEOs/leadership teams. Boards have the power but, as part-time volunteers, have a fraction of the knowledge of the day to day work compared to leadership teams. CEOs and their teams have the knowledge - given they work full time on their nonprofits' missions - but not the power. If boards do not understand their role and the importance of governance they risk undermining the CEO, confusing lines of authority, generating wheel-spinning and generally hobbling the work of the organizations they are mandated to govern." Discussions around power in the nonprofit sector are often overlooked and/or avoided for a variety of reasons, including stakeholder and funder discomfort. Unfortunately, governance architecture cannot be determined without simultaneous analysis of power within an organization.

All too often, board members supporting nonprofits lack clarity around the purpose of their role as a board member. Unlike corporate boards, nonprofit boards lack the external shareholders, market discipline, or regulatory enforcement—board accountability is entirely dependent on self-regulation, internal culture, and explicit policies. How do we measure a public corporation's governance function? We can look at its stock price–a clear marker on performance and the board's ability to fulfill their responsibilities. Attempting to judge or evaluate a nonprofit's governance can quickly become a dangerous game of assumptions, misunderstandings, and an incomplete picture of the landscape they are operating on without an accurate, real-time measure of performance against goals.

Problematic Conflation of Fundraising and Governance

Most board members serving nonprofits have made a commitment to a fundraising goal–either through a specific "give/get" requirement of $x, or as a part of a collective board philanthropic benchmark. In theory, this structure seems sound; even if community stakeholders who do not have the capacity to raise or donate a large contribution are excluded from board service, at a minimum there are dollars going into the organization. Yet, the conflation of fundraising and governance responsibilities is one of the most damaging structures in the entire sector. If board members are recruited primarily for wealth and networks, their performance is typically measured by personally contributed dollars (the "give") and dollars raised (the "get") without any accountability measure for their governance responsibilities.

Governance capacity—the ability to serve as a fiduciary, provide strategic insight, evaluate organizational performance—is a discrete and essential skill set. 71% of nonprofit leaders report difficulty ensuring that board members were actively involved in fundraising. Let's meet board members where they are in relation to their interest, time, and demonstrated engagement level. BoardSource data consistently show that fundraising is the most common source of board-executive tension, absorbing meeting time, recruitment strategy, and evaluation frameworks that could otherwise be directed at governance function and operational needs.

67% **of nonprofit leaders believe their board doesn't spend enough time building relationships** *BoardSource, Leading with Intent*	**27%** **of board members lack deep understanding of organizational mission and strategy** *Stanford GSB / BoardSource, 2015*	**32%** **of boards prioritize community knowledge in board recruitment** *BoardSource, Leading with Intent, 2021*

Rather than forcing a square peg into a round hole–parsing board member responsibilities and peeling off the assumed expectation of fundraising (on top of strategy, governance, and resource stewardship) will allow board members to more fully understand, embrace, and execute on their primary function. And of course, those board members who choose to fundraise in addition to completing their commitment as a board member have the unlimited ability to do so. But overloading volunteers with responsibilities they do not understand, are not fulfilling, and in some cases have no ability to fulfill due to time or capacity constraints often leaves an organization with inconsistent gaps in a number of critical areas that hamper its impact. The result is unfortunately predictable: boards that are neither governing well nor raising money effectively.

49% **of executives lack the right board members to establish trust with communities served** *BoardSource, LWI 2021*	**28%** **of boards prioritize community membership in board recruitment** *BoardSource, LWI 2021*	**67%** **of executives report insufficient board time building community relationships** *BoardSource, LWI 2021*

We believe a great deal of progress can be made in the governance realm, regardless of an organization's precise architecture, mission and the community it serves, by divorcing governance and fundraising responsibilities. Many nonprofit boards define themselves as “fundraising boards,” asking every board member to both personally donate to the organization, and raise funding from others in the community. This approach is advantageous as it relates to a board's responsibility to steward resources, but it is all too often another example of a structure that works in theory, but not in practice:

- There are measurable, documented patterns across the sector showcasing that confusion around the role of a nonprofit board member is a significant challenge in building an effective nonprofit governance structure. By separating the critical functionality of a board member from fundraising commitments, volunteers have the opportunity to more fully understand and execute on their role as a board member.
- The skill set, motivation, and commitment needed for a board member to fulfill the primary function of their role is completely discrete from the skill set necessary for revenue generation. Individuals who are most qualified to serve as board members may not have the skills or interest to fundraise, and some of an organization's strongest volunteer fundraisers are unfit to be board members for a variety of reasons.
- Many volunteers under-estimate the time and bandwidth needed to fulfill a nonprofit board role, understandably, because they have not served in such a role previously. By divorcing governance and fundraising commitments, volunteers will have a manageable volume of responsibilities. After a board member has understood and executed the primary functions of their role, they may opt into fundraising responsibilities in addition to their commitment as a board member.
- Fundraising initiatives that depend on volunteer engagement can be fulfilled by volunteers who have little interest in serving in a governing role, and instead are passionate about revenue generation. As noted above, the skill set necessary to fundraise for a nonprofit is discrete from the skill set required to govern and serve as a fiduciary of a nonprofit.
- If there are volunteers whose strengths align with fundraising, an organization's resources may be optimized by a governance structure that delegates fundraising responsibilities to staff or dedicated volunteer committees rather than the full board.

To be clear, board members who are well connected to donors and funders, and want to fundraise, provide genuine organizational value. Our counsel to optimize resources in the sector is to stop treating fundraising capacity as a proxy for capacity to govern, serve as a fiduciary, and provide strategic guidance–the three most critical functions of a board.

Governance Architecture: Considerations and a Question

Governance architecture effectively supporting one nonprofit can erode the impact of another. As detailed in previous sections, the choices an organization's leadership make about effective and efficient governing mechanisms are a critical, strategic series of decisions that have a direct correlation with the organization's resources and impact. An organization's bylaws, board size, committees, staff, and mission delivery are all dependent upon a constellation of choices that require consideration utilizing the following dimensions. Clarity and measurement along the five dimensions below are essential for any and all governance structures. These dimensions are not independent from one another; function or dysfunction in one dimension correlates with all the others.

#	Measurable Governance Dimension	Diagnostic Question
1	**Power**	Who approves which pieces of the organization's operations? Who and how is an organizational strategy determined? Are bylaws established? Who authored them and when were they last reviewed? How is power divided among and between board members, staff, committee members, organization partners, and those served by the organization? What transparent power mechanisms exist and what less visible power mechanisms impact those that are visible and understood? Is the distribution of power explicit, documented, and understood by all?
2	**Accountability**	What mechanisms exist to hold the organization accountable for executing its mission? What mechanisms exist to hold staff accountable? What mechanisms exist to hold the board itself accountable? Are individuals on the board aware they are a self-governing body that is responsible for holding itself accountable to the governance architecture they select?

#	Measurable Governance Dimension	Diagnostic Question
3	**Community Stakeholders**	In what formal and informal ways do individuals served by the organization play a part in its governance? If formal authority over governance, programmatic priorities, budgets, and leadership decisions does not include a diverse subset of stakeholders, how is the organization ensuring its strategy and service delivery are aligned with needs? This dimension is not focused on intent, but structural inclusion to center community.
4	**Mission Execution**	Does board recruitment, composition, meeting agendas, committee structures, and time expenditure efficiently and effectively support mission execution? How does the organization ensure purpose and mission execution are threaded in decisions made in distinct parts of the organization? What mechanisms are in place to ensure budget and programming decisions center the mission?
5	**Staff and Board Partnership**	What is the staff's experience in board engagement, roles, responsibilities, and their accountability mechanisms? What is the board's experience in staff engagement, roles, responsibilities, and their accountability mechanisms? Is burnout being reported by staff and/or board members? What are the rates of voluntary and involuntary turnover on board and staff? What role boundaries between board and staff members need further clarity and/or scoping? What board and/or staff gaps are being interpreted as individual deficiencies when perhaps they are rooted in governance misalignment?

A question that organizations rarely ask themselves, but that should always be considered: Is a volunteer board needed? Depending on a nonprofit's stage of development, budget, mission, community, and volunteer opportunities available in addition to board service, a traditional volunteer board may not be the most effective governance architecture. The legal requirements for board governance can be met through architecture that does not rely on a volunteer board and position alternative stakeholders in the technical roles required for compliance purposes. Community governance, self-directed staff, and professional advisory models are all options that must be considered with an outcome-oriented, community-centered lens. Put another way, the degree of power and accountability individuals legally representing a nonprofit have must be an active decision rather than passive adoption.

Adherence to governance architecture that is unnecessarily reliant on a volunteer board can detract from mission delivery, as outlined by Jonah Peppiatt in "Searching for Optimal Governance on the Nonprofit Board." Time spent by volunteers on governance, that could be directed toward fundraising, program delivery, community engagement, marketing, and/or their specialized expertise, may be misallocated. An organization's governance architecture must be created with volunteer expertise, bandwidth, and interests in mind. But there must also be an accurate and realistic accounting of time a volunteer has in relation to time an organization needs vs. a theoretical obligation to commitments that are left unfulfilled.

An Accessible Intervention

We are ready to break the costly cycle of fiscal waste related to governance and return the value of donors' dollars into the organization's mission and into impact–where they belong. Bespoke consulting services contracted by nonprofits are often expensive, reactive, and simply the symptoms of operational, fiscal, and leadership challenges that must be addressed through changes in an organization's governance model. Typically, when nonprofits confront challenges, concerns, and questions about their governance functioning that cannot be resolved internally, they hire a nonprofit consultant. Organizations usually seek consulting services as a reactive measure when a crisis erupts. Deep-rooted governance failures can manifest as operational crises, funding interruptions, a need for strategic planning, staff departures, program disruption, or a variety of other infrastructure challenges. Consultants are often brought in when a board is divided on an issue and/or there is a gap in internal expertise to move forward at a crossroads. **Consequently, the global nonprofit consulting market reached a value of $11.4 billion with North America dominating.**

In the philanthropic sector, the recurring dependence on external advisory services—sometimes referred to as the "Consulting Doom Loop"—can result in a systemic failure of a board's fiduciary duties. If an organization has an available budget for it, consulting fees typically range from $100-$250 per hour, with long-term engagements ranging from $50,000 to millions over time. **Specifically, it compromises the legal doctrines of the Duty of Care and the Duty of Obedience by systematically directing philanthropic capital toward advisory**

contracts rather than solving the source of the organization's challenges–governance misalignment.

Many organizations with budgets up to $10M simply can't afford the time and hard costs necessary to assess and build governance architecture that will most efficiently support its strategic goals and day-to-day mission fulfillment. We are creating a scalable, inclusive, accessible product for organizations that are impatiently waiting for additional dollars, support and/or strategic guidance to optimize resources. It will measure governance, and it will align the entire function to the organization's mission, strategic direction, and offer connections to other organizations filling the same space in the nonprofit market. It's our belief that any and all nonprofits can benefit from this intervention, but it will most likely offer the maximum value to those organizations with budgets of $10M or less that have not had the capacity, time, or resources to closely examine the efficiency of its governance function. **Instead of working against the tide of funding cuts, staff shortages, and an environment of scarcity, our product will leverage the moment and donor dollars to transform governance alignment in the sector.**

Rather than taking a data-driven, structural approach to fiscal waste related to misaligned governance, gaps in board engagement are often discussed in whispered tones at nonprofit conferences, on LinkedIn threads marked by frustration from staff and board members alike, and generally treated like an open secret. Executive Director/CEO turnover in the sector is generating an estimated $1.5 billion per year in direct replacement costs, funder relationship disruption, interim leadership expense, and programmatic momentum loss. And staff leadership turnover is simply one symptom of dysfunction when organizations operate with governance models misaligned with the outcomes they desire. In other words, this $1.5 billion is the tip of a financial iceberg signaling billions of dollars in fiscal waste that communities in our country need directly invested into outsized health, education, housing, and humanitarian needs. When governance fails in the corporate sector, shareholders must confront and absorb the expense, personally. When governance fails in the nonprofit sector, the expense is also absorbed personally–most often by individuals who are already reaching for equity. **It's time for transformation, disruption, and a cost-effective way to support measurable, aligned governance models to redirect resources to those who are already fighting the tide of injustice and scarcity.**

Conclusion

The nonprofit sector is brimming with talent and heart–from both professional nonprofit staff members and volunteers. What's missing is strategic thought, measurement, and corresponding decisions to build a governance structure that centers community, impact, and outcomes. **Rather than spot treating operational symptoms rooted in misaligned governance, it's time to develop a continuous benchmark signal to support organization's own understanding of inefficiencies that are ripe for improvement.** Instead of rinsing and repeating historic norms, accepting a the status quo, conveniently circumventing outdated bylaws; managing inactive committees, and hosting board meetings absent of considered debate, it is the legal imperative of board members to proactively consider, measure, and create governance architecture that propels an organization forward.

Communities in the United States have unparalleled needs due to the current geopolitical climate. **This is the moment to make the governance changes the nonprofit sector can no longer afford to overlook.** Fundraising pressure is at a fever pitch with the recent federal cuts hollowing federal agencies that once addressed community needs that state and local nonprofits are haphazardly filling as they are able. These funding cuts, workforce challenges, and skyrocketing community demand are simply environmental factors with the exact same root cause that has been left undiagnosed, unmeasured, and unresolved for decades. Insufficient resources within the sector, from both a fiscal and HR perspective, are discussed at length in literature about nonprofit organizations. But the fact that governance misalignment erodes dollars, resources, and impact that communities are desperate for is rarely examined methodically and proactively. Conflating governing capacity with fundraising abilities and assuming a quiet board room represents an aligned organization are indicators a board may not be strategically considering their organization's governance structure—and the power it has to support or diminish its organization's impact.

Regardless of the intentions of any one individual on a board or collective benevolent aspirations, failure to examine and measure a nonprofit's governance architecture is a rejection of the duties a board member is legally bound to fulfill. **This meta-analysis was not conducted simply to highlight the topic. It's our objective to align stakeholders in the sector with a sense of urgency as we create an open, accessible product to measure governance and align it toward the unique needs of thousands of nonprofits across the country.** To be clear, we are neither recommending organizations abandon the traditional board model, nor are we advocating for any one particular governance model. We are urging all nonprofit leaders–both staff and board–to center community, measure their governance functionality and closely examine their mission, strategy, and programmatic outcomes to determine if their current governance architecture is supporting their goals, or inhibiting them.

Building continuous benchmark signals for power, accountability, community stakeholders, mission execution, and the partnership between staff and board members is an essential first step to creating a continuous benchmark signal for the governance function as a whole. And any gaps, unanswered questions, and grey areas discovered through this analysis must be addressed with rigor, a data-driven approach, a sense of urgency, and a strategic lens. We feel it's critical to acknowledge that many organizations are lacking the bandwidth, time, and resources to complete such an examination, despite the benefits they would eventually reap from it. **This is precisely why we are convinced the entire sector is in need of an accessible, scalable way to measure and upgrade its governance architecture, optimizing all of its resources in order to meet surging community needs. So, we are building it.**

As evidenced by data points and research available, nonprofit board members, staff, and community stakeholders carry distinct perspectives on the way in which to most effectively fulfill a nonprofit's mission. Rather than investing time to debate and negotiate these perspectives, engage in a power struggle, and risk internal contention between stakeholders working toward a shared goal, a universal mechanism is needed. It will allow nonprofits of all sizes the opportunity to develop a continuous benchmark signal and align on the most effective governance mechanism for their strategic goals and operating needs. This moment of crisis for the nonprofit sector embodies the 5th-century proverb: “Necessity is the mother of invention.” It's time for the sector to acknowledge the predictable fiscal waste that has plagued organizations for decades, and redirect valuable dollars toward communities that simply cannot afford to be served by outdated, bureaucratic, haphazard governance architecture. And it's time to disrupt a sector that hasn't fully acknowledged the cost of inaction, complacency, and avoidance. **Nonprofit board members, staff, community stakeholders, and funders have an opportunity to use an existential crisis that feels forced upon the sector to unite and build intentional, measurable, transformational governance structures that propel missions and truly center communities.**

Works Cited

Anthropic. (2026). Large language model. https://claude.ai

Axios. (2026, May 12). Nonprofits navigate federal funding survey. https://www.axios.com/2026/05/12/nonprofits-federal-funding-survey

Barron’s. (2026, May 12). U.S. budget surplus narrows as tax refunds rise. https://www.barrons.com/articles/us-budget-surplus-tax-refunds-revenue-trump-eddf745f

Bean, A. (2025, November 26). Nonprofit burnout: Why it persists & how to break the cycle. Givebutter. https://givebutter.com/blog/nonprofit-burnout-statistics

Board.Dev & Dell Technologies. (2026, May). Building the leadership nonprofits need to make AI work. https://board.dev/dell-insights-report-2/

BoardSource. (2021). Leading with intent: BoardSource index of nonprofit board practices. BoardSource.

BoardSource. (2021). Reviewing the state of diversity, equity, and inclusion on nonprofit boards. BoardSource.

BoardSource. (2023). Leading with intent: 2023 databook. https://updates-leadingwithintent-org.pantheonsite.io/wp-content/uploads/2025/12/LWI_2023_Databook.pdf

Bruni-Bossio, V., & Kaczur, M. (2022). The power-structure model of non-profit governance. Corporate Governance: An International Review, 30(4). https://doi.org/10.1111/corg.12417

Bureau of Economic Analysis. (2025). Nonprofit institutions serving households as a share of GDP. U.S. Department of Commerce.

Bureau of Labor Statistics. (2024). Nonprofits: A look at national trends in establishment size and employment. Monthly Labor Review. U.S. Department of Labor.

Bureau of Labor Statistics. (2024). Nonprofits accounted for 12.8 million jobs, 9.9 percent of private-sector employment, in 2022. TED: The Economics Daily.

Buteau, E., Smith Arrillaga, E., Grundhoefer, S., & Im, C. (2026). A sector in crisis: How U.S. nonprofits and foundations are responding to threats. Center for Effective Philanthropy. https://cep.org/wp-content/uploads/2026/01/CEP_A_Sector_in_Crisis_FNL.pdf

Candid. (2025). Money in the U.S. social sector: Key facts and figures. https://candid.org/impact-insights/us-social-sector/

Center for Effective Philanthropy. (2026). New CEP study reveals a nonprofit sector in crisis [Press release]. https://cep.org/news/press-releases/new-cep-study-reveals-a-nonprofit-sector-in-crisis/

Clerkin, C., Diomande, M., & Koob, A. (2024). The state of diversity in the U.S. nonprofit sector. Candid. https://doi.org/10.15868/socialsector.43685

Cooper Coleman. (n.d.). The state of nonprofit staff retention has been poor for years. https://www.coopercoleman.com/post/the-state-of-nonprofit-staff-retention-has-been-poor-for-years

Council of Nonprofits. (n.d.). Interview: Dr. Elisha Smith Arrillaga on the Center for Effective Philanthropy's new report on the state of nonprofits. https://www.councilofnonprofits.org/articles/interview-dr-elisha-smith-arrillaga-center-effective-philanthropys-new-report-state

Counts, A. (2020). Spotting and fixing dysfunctional nonprofit boards. Stanford Social Innovation Review.

DataArts. (2025). National trends in arts and culture nonprofit finances [Survey report].

Dataintelo. (n.d.). Global nonprofit consulting service market [Market report]. https://dataintelo.com/report/global-nonprofit-consulting-service-market

DiMaggio, P. J., & Powell, W. W. (1983). The iron cage revisited: Institutional isomorphism and collective rationality in organizational fields. American Sociological Review, 48(2), 147–160.

Federal Reserve Bank of Richmond. (2025). How big is the nonprofit sector? Macro Minute. https://www.richmondfed.org/research/national_economy/macro_minute/2025/how_big_is_the_nonprofit_sector

Global Market Statistics. (n.d.). Nonprofit consulting service market [Market report]. https://www.globalmarketstatistics.com/market-reports/nonprofit-consulting-service-market-11282

Guo, C., & Musso, J. (2007). Representation in nonprofit and voluntary organizations: A conceptual framework. Nonprofit and Voluntary Sector Quarterly, 36(2), 308–326.

Harrington, H. J. (1999). Quoted in CIO magazine (September 1999, p. 19).

Im, C., Grundhoefer, S., & Smith Arrillaga, E. (2024). State of nonprofits 2024: What funders need to know. Center for Effective Philanthropy. https://cep.org/wp-content/uploads/2024/06/NVP_State-of-Nonprofits_2024.pdf

Independent Sector. (2025). Health of the U.S. nonprofit sector: Annual review. https://healthysector.org/

Indiana University Lilly Family School of Philanthropy. (2023). What Americans think about philanthropy and nonprofits. https://scholarworks.indianapolis.iu.edu/server/api/core/bitstreams/b5904a8a-5081-42cd-bd44-56740b98fb67/content

Inside Philanthropy. (n.d.). Can philanthropy deliver on Americans' desire for disruption? https://www.insidephilanthropy.com/home/can-philanthropy-deliver-on-americans-desire-for-disruption

Johnson Center at Grand Valley State University. (2025). 11 trends in philanthropy for 2025. https://johnsoncenter.org/wp-content/uploads/2025/01/11-trends-in-philanthropy-for-2025.pdf

Johnson Center at Grand Valley State University. (2026). Public trust in transition. Johnson Center.

Johnson Center at Grand Valley State University. (n.d.). The nonprofit workforce is in crisis [Blog post]. https://johnsoncenter.org/blog/the-nonprofit-workforce-is-in-crisis/

Larcker, D., & Tayan, B. (2015). 2015 survey on board of directors of nonprofit organizations. Stanford Graduate School of Business, Rock Center for Corporate Governance.

Merritt, D. M. (2013). Nonprofit leadership: A study of governance changes over time. Embry-Riddle Aeronautical University.

Molk, P., & Sokol, D. D. (2020). The challenges of nonprofit governance. Boston College Law Review, 61(5), 1497–1553.

Mostari. (n.d.). Can your governance hold the weight of a crisis? Five board models. LinkedIn. https://www.linkedin.com/pulse/can-your-governance-hold-weight-crisis-five-board-models-mostari-mee8c

Nonprofit Finance Fund. (2025). State of the nonprofit sector survey. https://nff.org/state-of-the-nonprofit-sector-survey/2025-state-of-the-survey-nonprofit-sector-survey/

Nonprofit HR. (2024). 2024 nonprofit talent retention practices survey. Nonprofit HR.

Nonprofit.ist. (n.d.). Nonprofit consultant survey. https://www.nonprofit.ist/nonprofitconsultantsurvey

NonprofitPro. (n.d.). 2024 nonprofit leadership survey [Trade publication report]. https://nonprofitpro.tradepub.com/?p=w_nonp36

NonprofitPro. (n.d.). The pressure on nonprofits has never been higher. Here's how to survive what's coming. https://www.nonprofitpro.com/post/the-pressure-on-nonprofits-has-never-been-higher-heres-how-to-survive-whats-coming/

NonprofitPro. (n.d.). What Americans think about nonprofits, per new study. https://www.nonprofitpro.com/article/what-americans-think-about-nonprofits-per-new-study/

NPR. (2026, May 12). Survey warns that some nonprofits are in danger of closing due to funding cuts. https://www.npr.org/2026/05/12/nx-s1-5806032/survey-warns-that-some-nonprofits-are-in-danger-of-closing-due-to-funding-cuts

OpenAI. (2026). ChatGPT [Large language model]. https://chatgpt.com/

Peppiatt, J. (n.d.). Searching for optimal governance on the nonprofit board: Dynamic resource constraints and a rejection of board bifurcation. NYU Wagner Review of Social Change Initiatives. https://socialchangenyu.com/review/searching-for-optimal-governance-on-the-nonprofit-board-dynamic-resource-constraints-and-a-rejection-of-board-bifurcation

Pew Research Center. (2024). Public trust in government: 1958–2024. Pew Research Center.

Pew Research Center. (2025). Public trust in government: 1958–2025. Pew Research Center.

Provan, K. G. (1980). Board power and organizational effectiveness among human service agencies. Academy of Management Journal, 23(2), 221–236.

Rae, A. (2026, April 30). Progressive philanthropy is failing communities. Here's what real leadership looks like. Forbes. https://www.forbes.com/sites/aparnarae/2026/04/30/progressive-philanthropy-is-failing-communities-heres-what-real-leadership-looks-like/

Ransohoff, N. (n.d.). The third wave of American philanthropy [Substack newsletter]. https://nanransohoff.substack.com/p/the-third-wave-of-american-philanthropy

Salesforce. (2025). Nonprofit trends report (7th ed.). https://www.salesforce.com/en-us/wp-content/uploads/sites/4/2025/05/s-org-7th-edition-nonprofit-trends-report-2025.pdf

Strub, C. (2020, February 10). Nonprofit HR. Forbes. https://www.forbes.com/sites/chrisstrub/2020/02/10/nonprofithr/

The Business Research Insights. (n.d.). Nonprofit consulting service market [Market report]. https://www.businessresearchinsights.com/market-reports/nonprofit-consulting-service-market-117971

The Chronicle of Philanthropy. (n.d.). Americans know little about charities and very few think nonprofits can solve problems, poll finds. https://www.philanthropy.com/news/americans-know-little-about-charities-and-very-few-think-nonprofits-can-solve-problems-poll-finds/

Time. (2026, April 16). Philanthropy must choose courage over caution. https://time.com/article/2026/04/16/philanthropy-must-choose-courage-over-caution/

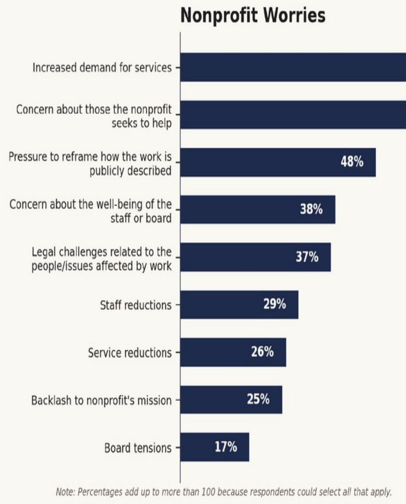
Urban Institute. (2025). Nonprofit sector responses to federal funding changes. Urban Institute.

Urban Institute. (2026, April 30). The nonprofit workforce faces compounding challenges. What does that mean for communities? https://www.urban.org/urban-wire/nonprofit-workforce-faces-compounding-challenges-what-does-mean-communities

Urban Institute. (n.d.). Nonprofit research collaborative special report: Engaging board members in fundraising. https://www.urban.org/research/publication/nonprofit-research-collaborative-special-report-engaging-board-members-fundraising

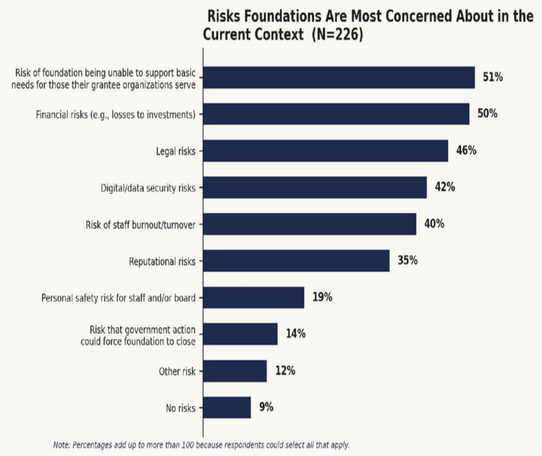
Velamoor, M., & Buder, J. (2026). The $1.5 billion dilemma [LinkedIn series]. LinkedIn.

Appendix

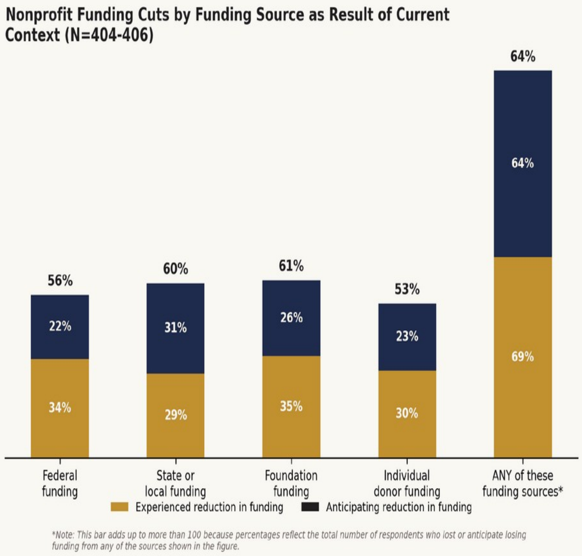


Source: The Center for Effective Philanthropy

1.9M **Registered nonprofit organizations** *IRS, 2025*	**12.8M** **Employees (3rd-largest private sector)** *BLS, 2024*	**$1.5T** **Annual contribution to US GDP** *Bureau of Economic Analysis, 2025*



Source: The Center for Effective Philanthropy



Source: The Center for Effective Philanthropy