

Board Openness

to Strategic Alliances & Restructuring

SURVEY REPORT

In anticipation of a large-scale initiative focused on encouraging boards to actively consider whether a strategic alliance or restructuring could help their organization expand its impact, BoardSource – with input from its programming partners on the initiative – conducted several surveys to benchmark current attitudes and behaviors related to strategic alliances and restructuring. Multiple survey instruments were used including:

- Initial survey of executives (as a part of fieldwork for *Leading with Intent*, BoardSource’s biennial benchmarking study)
- Follow-up survey to board chairs of organizations where the executive had responded to the *Leading with Intent* survey
- Broader survey of board members, without regard to executive participation in *Leading with Intent*

Key Findings

Finding #1: The highest impact boards are the most open to strategic alliances and restructuring.

Of the executives that reported that their board has a very positive impact on the organization's performance, 71% reported that the majority of their board would be open to a discussion about a possible strategic alliance or restructuring, and only 2% reported that the majority of the board would not be open to it. This compares to executives who said that their boards have a "somewhat" or "very negative" impact on their organization's performance, 21% of whom indicated that the majority of their board would not be open to a strategic alliance or restructuring and only 38% of whom indicated that they would be.

Cross-Tab: What impact does your board have on the overall effectiveness of your organization's performance?

	n=	Majority Open	Majority Not Open	No Clear Majority	I don't know/We haven't discussed it
Very positive impact	234	71%	2%	9%	17%
Somewhat positive impact	425	63%	2%	12%	23%
No impact either way	101	46%	8%	17%	30%
Somewhat or very negative impact	29	38%	21%	24%	17%
All	789	62%	4%	12%	22%

This trend is reinforced in other areas of board performance, with higher-rated board performance correlated to more openness and lower-rated board performance correlated to less openness across several key areas of board performance.

*Cross-Tab: How would you grade your board's performance in each of the following key areas?
How open is your board to conversations about strategic alliances and restructuring?*

Area of Performance (High = "A" grade, Low = "D" or "F")	n=	Rating of Performance	Majority Open to SA&R	Majority Not Open to SA&R	Other Responses
Adopting and following a strategic plan	219	High	78%	1%	21%
	113	Low	42%	5%	52%
Thinking strategically as a board	169	High	77%	2%	21%
	65	Low	43%	6%	51%
Knowledge of organization's programs	140	High	71%	3%	26%
	51	Low	45%	6%	49%
Monitoring organizational performance	126	High	75%	2%	24%
	107	Low	40%	12%	48%

Finding #2: The majority of boards are open to exploring strategic alliances and restructuring

- According to their executives, 62% of boards are open to considering a strategic alliance or restructuring.

Question: How open is your board to conversations about strategic alliances and restructuring?

Board Attitudes toward Strategic Alliances & Restructuring	n=	Majority Open	Majority Not Open	No Clear Majority	I don't know/We haven't discussed it
Survey of Executives	810	62%	4%	12%	22%

- Board members may be even more open to strategic alliances and restructuring than their executives think. In paired responses, 76% of the board chairs indicated that the majority of the board would be open to exploring a strategic alliance or restructuring, as compared to 64% of the executives from those same organizations.

Question: How open is your board to conversations about strategic alliances and restructuring?

Comparison of Board Executive Attitudes toward Strategic Alliances & Restructuring					
Paired Responses <i>Responses available from both an organization's executive board and chair</i>	n=	Majority Open	Majority Not Open	No Clear Majority	I don't know/We haven't discussed it
Paired Executive	25	64%	4%	12%	20%
Paired Board Chair	25	76%	4%	4%	16%

- The majority of boards have discussed how strategic alliances and restructuring could support their organization's work, though they are less likely to have established processes and criteria for partnerships.

Question: How would you describe your board's activity on strategic alliances and restructuring? Please check all that apply.

Board Actions on Strategic Alliances & Restructuring	n=	Knowledgeable	Discussed how they might support strategy	Discussed specific opportunities	Explored specific Opportunities	Established Criteria	Established process
Survey of Executives	590	42%	60%	62%	54%	12%	11%

Finding #3: The board chair’s leadership matters when it comes to an organization’s openness to strategic alliances and restructuring.

Across a number of categories, executive ratings of chair performance were highly correlated with openness to strategic alliances and restructuring, with stronger chair performance linked to greater openness and weaker performance linked to less openness.

*Cross-Tab: How would you rate your board chair’s performance in these categories?
How open is your board to conversations about strategic alliances and restructuring?*

Area of Performance & Rating (High = “A” grade, Low = “D” or “F”)	Rating of Performance	Majority Open to SA&R	Majority Not Open to SA&R	Other Responses
Chair encourages board members to frame & discuss strategic questions	High	70%	3%	27%
	Low	40%	15%	45%
Chair is able to resolve conflict, build consensus and reach compromise	High	71%	2%	26%
	Low	46%	11%	43%
Chair cultivates a productive & constructive partnership with executive	High	68%	2%	30%
	Low	42%	9%	49%
Chair fosters an environment that builds trust among board members	High	70%	3%	27%
	Low	45%	9%	47%
Chair established clear expectations of board service	High	70%	2%	28%
	Low	40%	9%	51%

Finding #4: Boards that share a clear sense of their organization’s purpose and values are more open to strategic alliances and restructuring.

Organizations where the executive “strongly agreed” that board members share clearly articulated core values that guide decision making, “even though members may disagree on details” indicated significantly higher board openness to strategic alliances and restructuring – 71% said the board was majority open and only 3% said the board was majority closed. This compares to executives that “disagreed” or “strongly” disagreed with the same statement, 42% of whom reported that the board was majority open and 8% that said that the board was majority closed.

*Cross-Tab: Our board members share clearly articulated core values that guide decision making, even though members may disagree on details.
How open is your board to conversations about strategic alliances and restructuring?*

	n=	Majority Open	Majority Not Open	No Clear Majority	I don’t know/We haven’t discussed it
All	794	62%	4%	12%	22%
Strongly agree	272	71%	3%	9%	17%
Agree	345	64%	2%	12%	22%
No opinion either way	92	46%	8%	14%	33%
Disagree	73	41%	7%	19%	33%
Strongly disagree	12	50%	17%	25%	8%
Disagree or strongly disagree	85	42%	8%	20%	29%

Cross-Tab: *Our board members share clearly articulated core values that guide decision making, even though members may disagree on details.
How would you describe your board’s activity on strategic alliances and restructuring? Please check all that apply.*

	n=	Knowledgeable	Discussed how they might support strategy	Discussed specific opportunities	Explored specific opportunities	Established criteria	Established process
All	579	42%	60%	62%	54%	12%	11%
Strongly agree	225	51%	66%	65%	58%	18%	14%
Agree	256	39%	59%	61%	54%	11%	10%
No opinion either way	54	28%	50%	54%	46%	7%	11%
Disagree	38	26%	50%	66%	47%	0%	0%
Strongly disagree	6	17%	33%	50%	33%	0%	0%
Disagree or strongly disagree	44	25%	48%	64%	45%	0%	0%

Finding #5: There may be a “sweet spot” in executive tenures for discussing strategic alliances and restructuring.

There does seem to be some evidence that organizations and boards are especially open to strategic alliances and restructuring when the executive is planning to leave their position more than 1 year, but less than 2 years out. This could be an indication that boards are discussing executive succession and are open to considering if a strategic alliance or restructuring could make sense within that context.

Cross-Tab: *When do you anticipate leaving your post as CEO or executive director?
How open is your board to conversations about strategic alliances and restructuring?*

	n=	Majority Open	Majority Not Open	No Clear Majority	I don’t know/We haven’t discussed it
All	810	62%	3%	12%	22%
No plans to leave at this time	257	57%	4%	14%	25%
Within the next 12 months	68	57%	4%	16%	22%
More than 12 months but less than 2 years from now	79	68%	4%	15%	13%
2 or more years from now but less than 3 years from now	60	63%	5%	8%	23%
In the next 3 to 5 years	196	67%	4%	8%	21%
More than 5 years from now	150	62%	1%	12%	25%

Cross-Tab: *When do you anticipate leaving your post as CEO or executive director?
How would you describe your board's activity on strategic alliances and restructuring? Please check all that apply.*

	n=	Knowledgeable	Discussed how they might support strategy	Discussed specific opportunities	Explored specific opportunities	Established criteria	Established process
All	590	42%	60%	62%	54%	12%	11%
No plans to leave at this time	173	42%	61%	60%	56%	18%	13%
Within the next 12 months	46	43%	57%	70%	67%	17%	15%
More than 12 months but less than 2 years from now	64	45%	61%	63%	55%	14%	6%
2 or more years from now but less than 3 years from now	45	42%	53%	62%	44%	11%	9%
In the next 3 to 5 years	149	42%	61%	60%	50%	9%	13%
More than 5 years from now	113	38%	58%	64%	56%	4%	4%

Other Findings:

- The Majority of Nonprofits Have Participated in Some Form of Strategic Alliance or Restructuring
Executives reported significant activity in key categories of strategic alliances and restructuring over the past five years. 62% of executives reported that their organization had experienced at least one form of strategic alliance or restructuring over the previous five years, with the most frequently undertaken activity being joint programming. Seven percent of executives reported that their organization had gone through a merger or acquisition during the same five-year period.

Question: *Which if any of the following activities has your organization participated in at any time in the past five years? Please check all that apply.*

Forms of Strategic Alliances & Restructuring	Percentage of Executives that Reported That Activity in the Past Five Years
Joint Programs	42%
Fiscal Sponsorships	21%
Joint Ventures	13%
Administrative or Back-office Consolidations or Shared Services	10%
Mergers or Acquisitions	7%
Parent-subsidiary Structures	7%
Asset Transfers	5%
Other	7%
No strategic alliance or restructuring activity in the past 5 years	38%

• **Openness and activity varies by organizational size, mission, history and region**

Larger organizations tend to be most open to strategic alliances and restructuring. The percentage of executives reporting majority board openness generally increased as the number of staff increased.

*Cross-Tab: How many paid, full-time employees does your organization presently have?
How open is your board to conversations about strategic alliances and restructuring?*

	n=	Majority Open	Majority Not Open	No Clear Majority	I Don't Know/We haven't discussed it
All	810	62%	3%	12%	22%
None	45	58%	7%	7%	29%
Fewer than 5	239	59%	4%	13%	24%
5-10	182	62%	4%	12%	23%
11-30	181	59%	2%	15%	24%
31-50	57	56%	2%	11%	32%
51-100	48	77%	4%	8%	10%
>100	58	83%	2%	10%	5%

Older organizations tend to be both more open to and active in strategic alliances and restructuring.

The percentage of executives reporting majority board openness generally increased as the age of the organization increased.

*Cross-Tab: When was your organization founded?
How open is your board to conversations about strategic alliances and restructuring?*

Year organization was founded	n=	Majority Open	Majority Not Open	No Clear Majority	I don't know/We haven't discussed it
All	807	62%	3%	12%	22%
2000 to 2016	134	61%	4%	10%	25%
1975 to 1999	340	58%	5%	13%	25%
1950 to 1974	179	61%	3%	12%	23%
1900 to 1949	104	69%	1%	15%	14%
Before 1900	50	80%	0%	8%	12%

Cross-Tab: When was your organization founded?

Which if any of the following activities has your organization participated in at any time in the past five years? Please check all that apply.

Activities in the Past 5 Years (as reported by executive)	All	Orgs founded 2000 - 2016	Orgs founded 1975-1999	Orgs founded 1950-1974	Orgs founded 1900-1949	Orgs founded before 1900
N=	1,305	250	557	293	144	61
Joint Programs	42%	35%	39%	43%	54%	64%
Fiscal Sponsorships	21%	18%	20%	23%	23%	21%
Joint Ventures	13%	10%	10%	14%	20%	23%
Administrative or Back-office Consolidations or Shared Services	10%	8%	9%	8%	15%	28%
Mergers or Acquisitions	7%	4%	6%	9%	10%	21%
Parent-Subsidiary Structures	7%	6%	6%	8%	8%	11%
Asset Transfers	5%	4%	4%	6%	6%	2%
Other	7%	7%	6%	9%	5%	5%
None	38%	46%	39%	39%	27%	16%

Openness and activity varies some by mission type. Despite reporting the lowest levels of openness, arts and culture organizations undertake the most strategic alliance and restructuring activities, with only 25% reporting no activity in the past five years, and the highest levels of activity in most types of strategic alliances and restructuring. Human services organizations reported the highest level of mergers and acquisitions.

Cross-Tab: Which part of the nonprofit sector most closely fits the work of your organization (drop-down)?
How open is your board to conversations about strategic alliances and restructuring?

	n=	Majority Open	Majority Not Open	No Clear Majority	I don't know/We haven't discussed it
All	810	62%	3%	12%	22%
Human services	125	71%	2%	8%	19%
Education	90	60%	3%	11%	26%
Arts, culture, and humanities	87	48%	2%	11%	38%
Youth development	61	67%	7%	16%	10%

Cross-Tab: Which part of the nonprofit sector most closely fits the work of your organization (drop-down)? Which if any of the following activities has your organization participated in at any time in the past five years? Please check all that apply.

Activities in the Past 5 Years (as reported by executive)	All Organizations	Human Service Organizations	Education Organizations	Arts, Culture, and Humanities Organizations	Youth Development Organizations
N =	1,308	211	154	116	103
Joint Programs	42%	37%	39%	58%	40%
Fiscal Sponsorships	21%	17%	18%	25%	22%
Joint Ventures	13%	12%	10%	16%	17%
Administrative or Back-office Consolidations or Shared Services	10%	12%	7%	6%	17%
Mergers or Acquisitions	7%	10%	5%	5%	6%
Parent-Subsidiary Structures	7%	6%	10%	5%	5%
Asset Transfers	5%	3%	6%	5%	5%
Other	7%	9%	4%	4%	7%
None	38%	40%	41%	25%	41%

Openness and activity varies some by geographic region. Despite having lower openness ratings, organizations in the Northeast are the most active in strategic alliances and restructuring activities, reporting significantly higher levels of activity than organizations in the rest of the country.

Cross-Tab: In which state is your organization headquartered? How open is your board to conversations about strategic alliances and restructuring?

	n=	Majority Open	Majority Not Open	No Clear Majority	I don't know/We haven't discussed it
All	753	62%	4%	12%	23%
Northeast	125	61%	5%	10%	25%
Midwest	209	61%	4%	12%	23%
South	222	63%	3%	12%	22%
West	172	62%	3%	12%	23%

*Cross-Tab: In which state is your organization headquartered?
Which if any of the following activities has your organization participated in at any time in the past five years? Please check all that apply.*

Activities in the Past 5 Years (as reported by executive)	All	Northeast	Midwest	South	West
n=	1,184	189	333	364	298
Joint programs	43%	44%	43%	38%	42%
Fiscal sponsorships	21%	18%	26%	17%	22%
Joint ventures	13%	13%	14%	11%	11%
Administrative or Back-office consolidations or shared services	10%	13%	10%	10%	6%
Mergers or acquisitions	8%	9%	9%	5%	7%
Parent-subsidiary structures	7%	7%	9%	8%	4%
Asset transfers	5%	4%	5%	4%	5%
Other intentional structures for collaboration, please specify	7%	8%	5%	7%	8%
None	39%	34%	37%	40%	41%

• **Some characteristics did not have a significant impact on board openness to strategic alliances and restructuring.**

Based on executive responses to questions, the following variables were not significantly correlated to more or less board openness to strategic alliances and restructuring:

- > Whether or not the executive has an employment contract
- > Whether or not the executive serves as a member of the board
- > Overall size of board