



THE NONPROFIT BOARD LEADERSHIP STUDY

BETTER WORLD LEADERSHIP

By Alice Korngold

Pathways for Companies to
Maximize Shareholder Value
by Advancing:

- Workplace Diversity and Inclusion
- Human Capital for Innovation
- Economic Development (U.N. SDGs)



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This report is divided into four parts, three of which address the main themes of the study: diversity and inclusion; human capital for innovation; and economic development and the U.N. SDGs. Part IV provides recommendations to companies.

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ABOUT THE STUDY AND KEY FINDINGS

Measuring the leadership development value of nonprofit board service

The Nonprofit Board Leadership Study measures and documents the leadership development value of nonprofit board service for business people. This study provides insights for companies on the potential value of nonprofit board training and matching programs for advancing corporate goals. (From here on, the term “boards” will always refer to “nonprofit boards.”) This report on the study will be useful to companies that either have programs and seek to expand or enhance them, or companies that are considering offering such programs.

Relevance. The results of this study are particularly compelling at a time when investors and the public express concerns about the failure of business leadership. Investors and the public criticize corporate leaders who are not maximizing opportunities for innovation, economic development, and diversity and inclusion. They expect companies to be more accountable and responsible in addressing human rights, climate change, ecosystems loss, gender equity, poverty, education, and healthcare. Evidence shows that companies profit and grow value by finding innovative solutions to global challenges.¹ To make this a reality, companies need more effective pathways to develop leaders who can maximize business opportunities and potential. One way to do this is through corporate reporting, as illustrated by the big data analysis of corporate reporting trends provided by Datamaran.

Key findings. This study demonstrates that board service is an effective pathway for companies to grow shareholder value in three ways:

- **Advancing workplace diversity and inclusion:** Business people who serve on boards gain appreciation and understanding of people from backgrounds that are different from their own. This benefits companies since studies indicate that diversity and inclusion increase profitability. Additionally, companies have a significant reservoir of people from diverse backgrounds who would like to serve on boards, thus providing opportunities for leadership development.
- **Developing human capital for innovation:** Business people who serve on boards confront challenges that stimulate their leadership, creativity, and innovation. Additionally, they improve skills that enhance their performance at work, including strategic planning, decision-making, listening, collaborating, and partnerships. This experience and expertise will help their companies grow value.

- **Fostering economic development and achieving the U.N. Sustainable Development Goals (SDGs):**² Business people who serve on boards strengthen communities where their company’s employees and customers live and work. Board engagement also helps to advance the U.N. SDGs, including quality education, reduced inequalities, and sustainable cities and communities.

Meaningful. The level of satisfaction among those who serve on boards is compelling. Nearly every respondent reports that the work of the nonprofit is meaningful to them (97%), they are able to add value (95%), and they would recommend board service to their friends and colleagues (99.5%). The majority of respondents serve in leadership positions on their boards (81%), some serving on multiple boards and in multiple leadership positions.

The insights in this report about employee board service can inform companies seeking new and effective approaches to grow their value. Given the positive reception to board service by employees, it seems that increasing and enhancing board opportunities through company training and matching programs would be a win-win-win for companies, their employees, and communities.



99.5% of respondents would recommend nonprofit board service to their friends and colleagues.



¹ See Korngold, Alice (2014), *A Better World, Inc.: How Companies Profit by Solving Global Problems...Where Governments Cannot*, (New York: Palgrave Macmillan).

² For more see: United Nations (2017), Sustainable development knowledge platform. <https://sustainabledevelopment.un.org/sdgs>

ABOUT THE SURVEY RESPONSES

Compelling responses from business people who serve on nonprofit boards, and those who do not (yet)

Response data. Among the five companies that distributed the survey, a total of 957 employees completed the survey (a 33% response rate). The survey took just over ten minutes to complete for people who serve on boards. In a follow up interview, one employee reported that “at first I dismissed the survey. Then I thought about its value and implications and went back to complete it.”³ In follow up interviews, employees noted that they appreciated their companies for participating in the study.

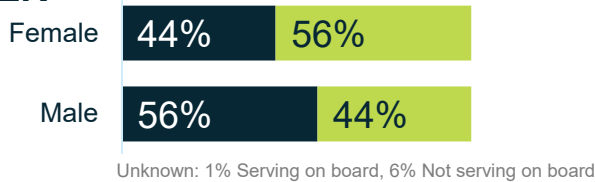
Respondents: board members. The substance of the survey responses clearly shows the value of board service to respondents who serve on boards (401 of 957 respondents indicate they serve on boards.) The scope and depth of the value of board service across a broad sample are striking.

Respondents: non-board members. A total of 556 respondents never served on boards, but 96% express interest in doing so. They indicate that the factors that would increase their likelihood in serving include: a clearer understanding of the time demands and expectations, assistance in finding the right board/mission, understanding how they could add value, and training to prepare them for nonprofit board service. This suggests that more people might be involved if companies enhance and expand board training, preparation, and matching services.

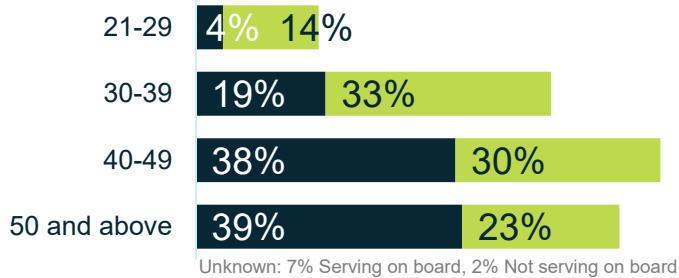
Respondents: diversity. Significantly, the group of people interested in boards come from more diverse backgrounds than the group already serving. There are more Millennials (47% compared to 23% who serve); more women (56% compared to 44% who serve); and more people who identify as Asian, Latino or Hispanic, Black or African-American, Native Hawaiian or Pacific Islander, American Indian or Alaska Native, Middle Eastern or North African (37% compared to 22% who serve). These results demonstrate the opportunity for companies to advance employees from more diverse backgrounds. The added benefit is that companies would also infuse boards with greater diversity, an important goal of nonprofits.

Respondents: demographics

GENDER

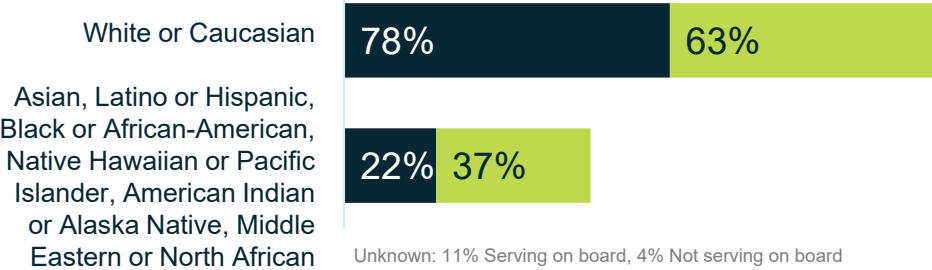


AGE



Key ■ Serving on board (401) ■ Not serving on board (556)

RACE/ETHNICITY



96% of respondents who do not serve on boards express interest.

HOW THIS REPORT IS ORGANIZED

Diversity and inclusion, human capital for innovation, economic development and the U.N. SDGs, and recommendations

This report is divided into four parts, three of which address the main themes of the study: diversity and inclusion; human capital for innovation; and economic development and the U.N. SDGs; and recommendations. These three themes reflect the salient results of the surveys and interviews, and also reflect corporate priorities identified by Datamaran using Artificial Intelligence and a big data analysis of corporate reporting.

The report concludes with recommendations for companies seeking to advance their goals by establishing, or expanding and enhancing their board training and matching services. Big data trend analysis provided by Datamaran⁴ is in the Appendix of this report.

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⁴ Trend analysis provided by Datamaran is in the Appendix of this report.

PART I

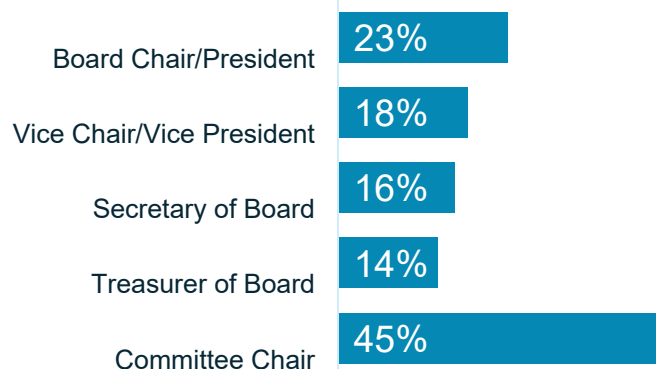
Advancing diversity and inclusion

Value. Many companies are recognizing that achieving diversity and inclusion is necessary to grow shareholder value. “Companies with more diverse workforces perform better financially.”⁵ Additionally, trend analysis from Datamaran shows the growing interest among companies to achieve diversity and inclusion.⁶ In his new landmark book, *Diversity Bonuses and the Business Case*, Scott Page shows that “diversity can produce bonuses,” leading to “higher profits, larger market shares, and faster rates of innovation.”⁷ Katherine W. Phillips further explains that “we need diversity if we are to grow, change, and innovate.”⁸

In spite of evidence connecting diversity to business success, current approaches to diversity and inclusion have not yielded the desired results. “Most diversity programs aren’t increasing diversity...The positive effects of diversity training rarely last beyond a day or two, and a number of studies suggest that it can activate bias or spark a backlash.”⁹ Empathy is also useful for people to perform well. “Empathy...is correlated with ethics, and any ethical failure can prove costly.”¹⁰ The challenge is that most of us learn through experience, not by being told or trained, particularly with such complex matters as diversity, inclusion, and empathy.



81% of respondents advance to board leadership positions.



Expansive diversity. In follow up interviews, respondents described the diversity of their fellow board members broadly. They noted differences in backgrounds and perspectives, including the variety of their jobs and industries, socio-economic factors, gender, age, religion, race, ethnicity, and more. Their comments reflected appreciation for what Scott Page calls *cognitive diversity* (“differences in information, knowledge, representations, mental models, and heuristics”) and *identity diversity* (“differences in race, gender, age, physical capabilities, and sexual orientation”). Page explains: “Many of our complex challenges involve understanding the actions, preferences, and capabilities of diverse people. Thus, identity diversity also contributes relevant cognitive diversity.”

In the interviews, people commented on both cognitive and identity diversity, appreciating the value of both in achieving the organization’s mission.

Comments made in follow up interviews.

“It [board experience] exposed me to people I’d never have crossed paths with in my personal or professional life. Sometimes I didn’t even know their jobs existed. Makes you a little socially smarter. And made me appreciate the points of view of people from different backgrounds.”

“Our board is very diverse. Not just gender and race. We also have union people, as well as people from nonprofits, and small and large businesses. It’s eye opening. They bring a lot of value. Things I could not. I’m insulated from these perspectives since I work at a big company. I’m learning.”

“I’ve served on boards with people from every background possible: financial, religious, media, university people. I’ve been the youngest person on the board, trying to explain social media and people’s shorter attention spans. Everyone has something to add that others might not have. You’re always learning. You see why they’re seeing things the way they do.”

“I’ve lived and worked throughout the world with people from many cultures from 60 countries. On my board though, I’m working with people from different backgrounds than I did in my jobs. Some people who are new to the area and some who’ve been here for a long time, and a military mom who’s moved around. If you’re steeped in a locality without thoughts from the outside, you can get in a hedgerow...tunnel vision...it’s the only thing that matters...and never get out of it. It’s important to have diversity that helps you question and suggest discussing.”

⁵ For more information see: McKinsey (2015) Why diversity matters. <https://www.mckinsey.com/business-functions/organization/our-insights/why-diversity-matters>

⁶ Trend analysis provided by Datamaran is in the Appendix.

⁷ See Page, Scott E. (2017). *The Diversity Bonus*. (Princeton, New Jersey: Princeton University Press and The Andrew W. Mellon Foundation).

⁸ For more information see: Greater Good Science Center at UC Berkeley (2017). How diversity makes us smarter. https://greatergood.berkeley.edu/article/item/how_diversity_makes_us_smarter?platform=hootsuite

⁹ For more information see: Harvard Business Review (2016). Why diversity programs fail. https://hbr.org/2016/07/why-diversity-programs-fail?utm_content=buffer6ef7a&utm_medium=social&utm_source=twitter.com&utm_campaign=buffer

¹⁰ For more information see: Harvard Business Review (2016). The most empathetic companies. <https://hbr.org/2016/12/the-most-and-least-empathetic-companies-2016>

PART I

Advancing diversity and inclusion

Experiential. This study shows that board service significantly contributes to people gaining appreciation for diversity and inclusion, while also developing empathy. This result underscores the value of active experiential learning over passive traditional training. Study respondents indicate that their board experiences affect their appreciation for the perspectives of people from backgrounds that are different than their own (78%). Furthermore, respondents express a deeper understanding of the challenges facing people who live in different circumstances than their own (78%); greater empathy for people from different backgrounds than their own (72%); and greater interest in people with different backgrounds than their own (73%).

It is not surprising that the board setting promotes mutual understanding when people come together as volunteers around a mission for which they share a passion.¹¹ Survey respondents report that most of their fellow board members (81%) have backgrounds different from their own, and that the nonprofit serves clients whose backgrounds are different than their own (77%). Working together builds relationships.

Comments made in follow up interviews.

"I've learned that boards share a collective responsibility...no one person owns that. So every board needs to be diverse in expertise. I'm not the finance guy, for example, but I'm expert at rules and regulations. I value the ability to turn to someone else who has expertise in other specific areas. Constructive discussion and debate on boards is critical; this contributes to the overall value of the organization."

"Our board has people from Fortune 500 companies, as well as people who receive social security support and others who are retired. This helps when you're setting priorities... For example, the superintendent of schools who reports to his own board came from a different perspective regarding the role of the board. He knew from experience in reporting to a board that their role is not tactical, that's for the CEO. Instead, the role of the board is to be strategic. Without his input, we would have become an operational board instead of a strategic board. As we wrestled with our role as a board, this board member played a critical role in helping us understand that our role was to be strategic."



Respondents report board experience affects them...

Deeper appreciation of the perspectives of people from backgrounds different from my own.

78%

Deeper understanding of challenges facing people who live in different circumstances than my own.

78%

Greater empathy for people from backgrounds other than my own.

72%

Greater interest in people with different backgrounds than my own.

73%



81% serve with board members who have different backgrounds than their own.



77% serve organizations with clients who have different backgrounds than their own.



PART I

Advancing diversity and inclusion

Workplace. The value of board service is particularly meaningful if business people who serve are able to transfer their new appreciation of diversity to the workplace. In follow up interviews, people reported situations in which they have used their new awareness and understanding to be more effective in their jobs.

Comments made in follow up interviews.

"The experience has helped me grow empathy. We lose appreciation for what we have. And we're so quick to judge others...I give a lot but I've benefited in ways that I'd never have imagined. We've been closeted all of our lives. I'm a completely different person because [of my two nonprofit board experiences]."

"I've been to a few national events [hosted by the nonprofit]. You meet people from different cultural backgrounds. You pick up on nuances related to the variety of cultures. This is useful to me at work because my company is very diverse."

"When you get involved on nonprofit boards, you get more comfortable moving out of your comfort zone."

"Some [of my fellow board members] are attorneys. I'm learning how to work with attorneys at my company more effectively...learning how they think..."



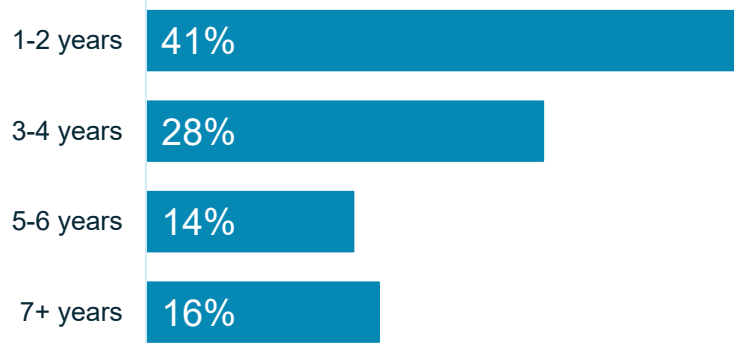
97% report that the work of the nonprofit is meaningful to them.



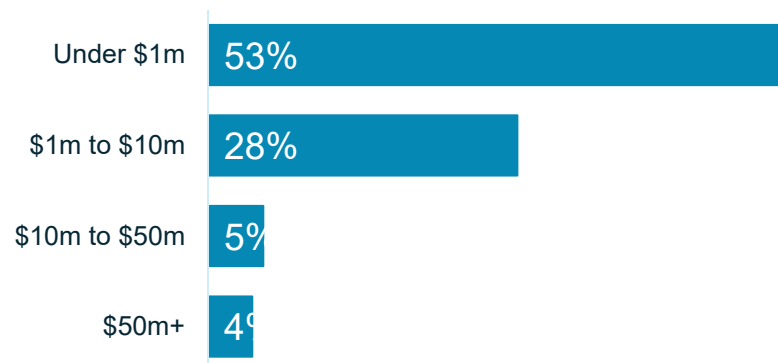
83% serve on local and regional boards.



Respondents indicate a range of years of service, with many continuing to serve.



Budget of nonprofit.



PART I

Advancing diversity and inclusion

Recruitment and retention. By supporting and encouraging board service, companies can advance their goals for recruiting and retaining the best people from a variety of backgrounds. Employees who are introduced to boards by their company have more favorable impressions of their company (74%) than those who find boards through other sources (50%). Additionally, employees who are introduced to boards by their company are more likely to stay at the company (49% vs. 33% who find boards through other sources). By supporting meaningful leadership and community engagement, companies may attract and retain the best candidates from a broad group of people and grow their value to the company.

Comments made in follow up interviews.

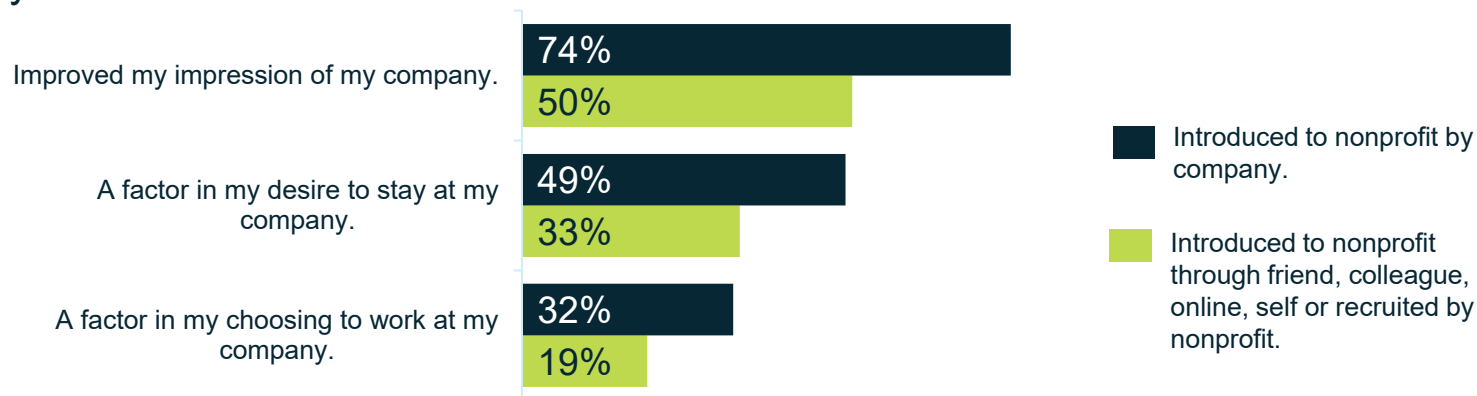
"I think it's great that the company supports my service. I really like working for my company. They really encourage us. I'm proud to work for a company that encourages and supports service."

"My company has been supportive and that's a factor in my staying at the company."

Board service is a compelling solution to Millennial dissatisfaction. According to a recent study by Gallup,¹² Millennial turnover costs the U.S. economy \$30.5 billion annually. "Only 29 percent of Millennials are... emotionally and behaviorally connected to their job and company." Similarly, a study by Deloitte¹³ reports that two out of three Millennials expect to leave their current jobs by 2020, feeling little loyalty to their employers. Both Gallup and Deloitte offer various reasons for the widespread Millennial dissatisfaction at work: failure of employers to meet interests of Millennials to learn and grow, develop as leaders, feel useful, and have a sense of control. Businesses that encourage and support their employees to serve on the board of a nonprofit that is a good match, while also providing board training and coaching, may well meet the desires of many dissatisfied Millennials.



Employees who are **introduced to a board by their employer** are more likely to stay at the company.



¹² For more see: Gallup (2016), How Millennials want to work and live. <http://news.gallup.com/reports/189830/e.aspx#aspenForm>
¹³ For more see: Deloitte (2016), The 2016 Deloitte Millennial Survey. <https://www2.deloitte.com/content/dam/Deloitte/global/Documents/About-Deloitte/qx-millennial-survey-2016-exec-summary.pdf>

PART I

Advancing diversity and inclusion

Greater potential. Notably, 96% out of the 556 respondents who are not on boards indicate an interest in serving. They state that it would be helpful to have a clearer understanding of the time demands, expectations, and how they could add value; assistance in finding the right board/mission; and training to prepare them for board service.

Significantly, the employees interested in serving come from more diverse backgrounds than those already serving. There are more Millennials (47% compared to 23% who serve); more women (56% compared to 44% who serve); and more people who identify as Asian, Latino or Hispanic, Black or African-American, Native Hawaiian or Pacific Islander, American Indian or Alaska Native, Middle Eastern or North African (37% compared to 22% who serve). Companies can develop people from diverse backgrounds for leadership by training and matching more employees who are interested in serving on boards.

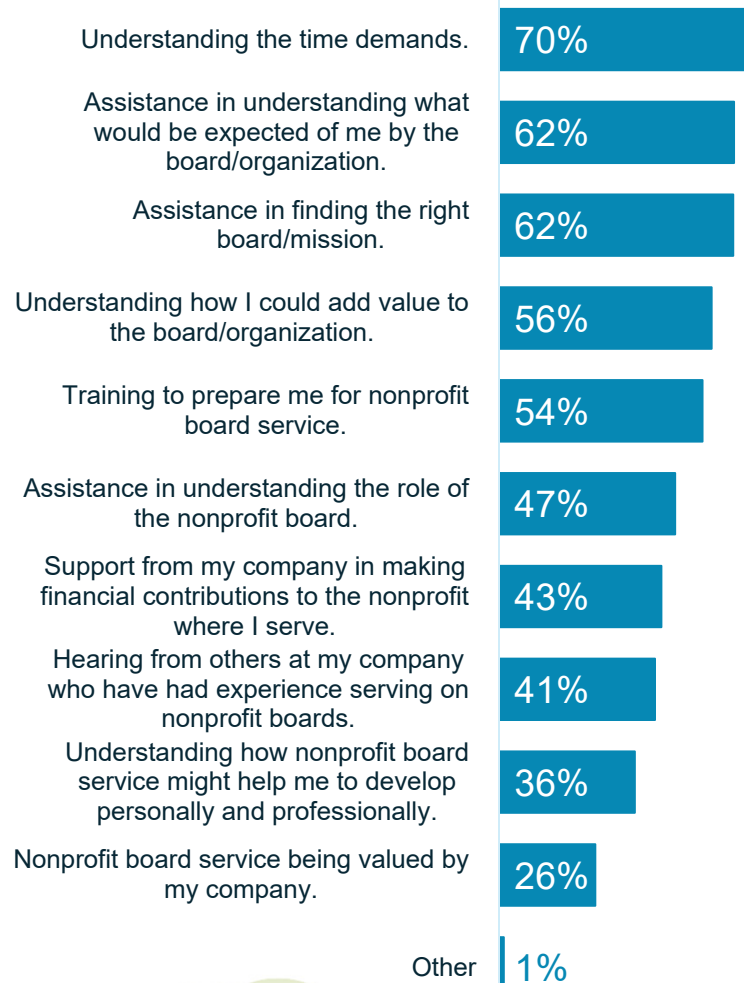
For companies seeking to develop leaders from different backgrounds, board service provides unique opportunities for success. Most respondents (81%) rise to leadership positions, including board chair, vice chair/president, secretary, and treasurer. Nearly half serve as committee chairs. Business people who serve on boards report that they develop an average of 6.7 leadership skills. More than half of the respondents indicate that they develop skills in community relations (64%), board governance (63%), communication (60%), networking (58%), decision-making (53%), strategic planning (52%), and consensus-building (51%).

One board member who became a board chair commented.

“The experience of working on the board with diverse people is valuable, but my workplace is also fairly diverse. Whenever you’re interacting with others, you’ll hear different points of view. It’s important to draw out those points of view and support them as well. That’s been an important part of my learning experience that prepared me to be board chair. Drawing people out.”



96% of respondents who do not serve on boards say they might be interested. These are the factors they say might make them more interested.



PART II

Developing human capital for innovation

Businesses that find new solutions to address social, economic, and environmental problems can mitigate risks, reduce costs, and grow profits and value.¹⁴ Unfortunately, many companies lack effective ways to stimulate leadership, creativity, and innovation among their workforces.

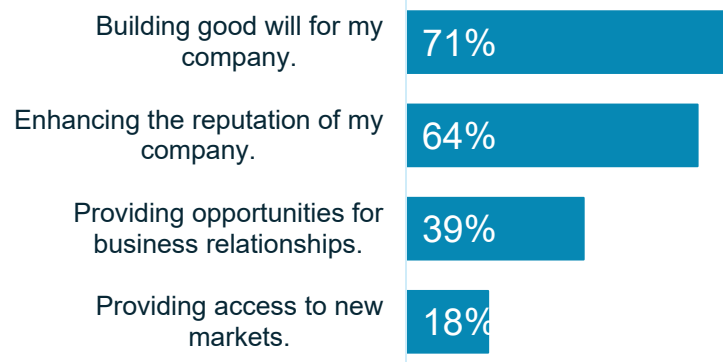
This study reveals that by engaging employees in board service, companies develop their human capital for leadership in innovation that makes the business more competitive in the global marketplace. Board service provides opportunities for employees to develop valuable skills that they bring back and effectively use at work. This study indicates growth in leadership and business skills.

Leadership. Leadership development for new challenges in a dynamic world is essential for companies to grow shareholder value. Unfortunately, as shown by McKinsey, traditional leadership development programs fail to achieve the desired results. “According to a recent Fortune survey, only 7 percent of CEOs believe their companies are building effective global leaders, and just 10 percent said that their leadership-development initiatives have a clear business impact. Our latest research has a similar message: only 11 percent of more than 500 executives we polled around the globe strongly agreed with the statement that their leadership-development interventions achieve and sustain the desired results.”¹⁵

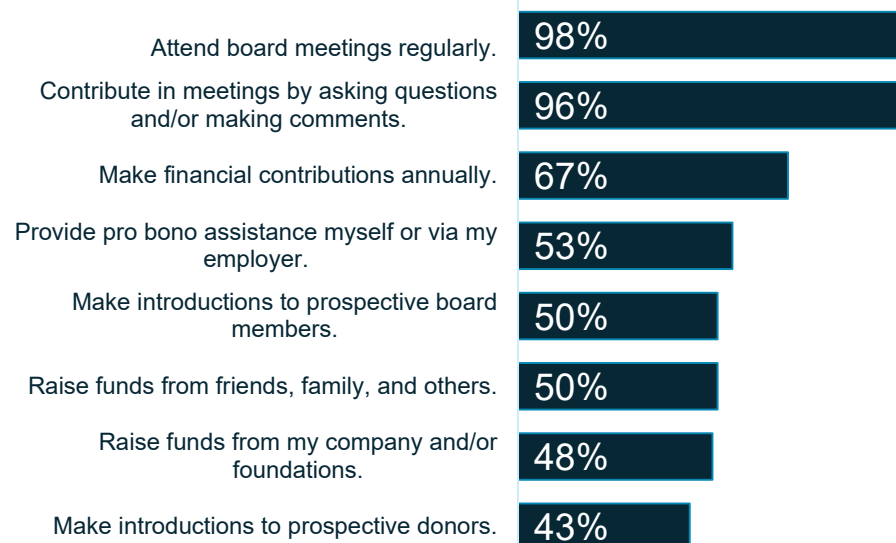
Importantly, this study demonstrates that board service is an effective means to develop leaders for business. 81% of respondents who serve on boards rise to leadership positions, including board chair, vice chair/president, secretary, and treasurer. Nearly half serve as committee chairs. By gaining leadership experience on boards in solving community problems, employees can become effective leaders in finding innovative solutions at their companies.

People develop as leaders through experience, rather than by learning in passive settings. McKinsey explains that “every successful leader tells stories of how he or she developed leadership capabilities by dealing with a real problem in a specific context, and our survey provides supporting evidence for these anecdotes: companies with successful leadership-development programs were four to five times more likely to require participants to apply their learnings in new settings over an extended period and to practice them in their job... This is just one of several modern adult-learning principles grounded in neuroscience that companies can employ to speed the behavior and mind-set shifts leaders need to thrive in today’s fast-changing environment.”

Respondents report that board service provides the following benefits.



Board members make the following contributions.



¹⁴ See Korngold, Alice (2014), *A Better World, Inc.: How Companies Profit by Solving Global Problems...Where Governments Cannot*, (New York: Palgrave Macmillan).
¹⁵ For more information see: McKinsey (2017), *What's missing in leadership development*. <https://www.mckinsey.com/global-themes/leadership/whats-missing-in-leadership-development>

PART II

Developing human capital for innovation

Respondents indicate that they develop skills that drive success in business, including community relations (64%), board governance (63%), communication (60%), networking (58%), decision-making (53%), strategic planning (52%), and consensus-building (51%). Furthermore, nearly half of respondents who serve on boards also report that they develop proficiency in critical thinking and problem solving, creativity, and innovation.

Board members commented on innovation.

"I felt an incredible sense of responsibility. This is one of the oldest [performing arts] organizations in the country. I had to lead a turn-around just after 2008, when our organization's future was at stake. This was a unique experience that you wouldn't get in a company...to make or break the company."

"When you're on the board, you get a different perspective. The board perspective. I was on one board that went through a full financial restructuring. Another that merged thirteen nonprofits. This experience is useful to me back at work. Understanding what you need to present to the board and why, knowing what they're looking for and why, helps you present the right financial and other reports."

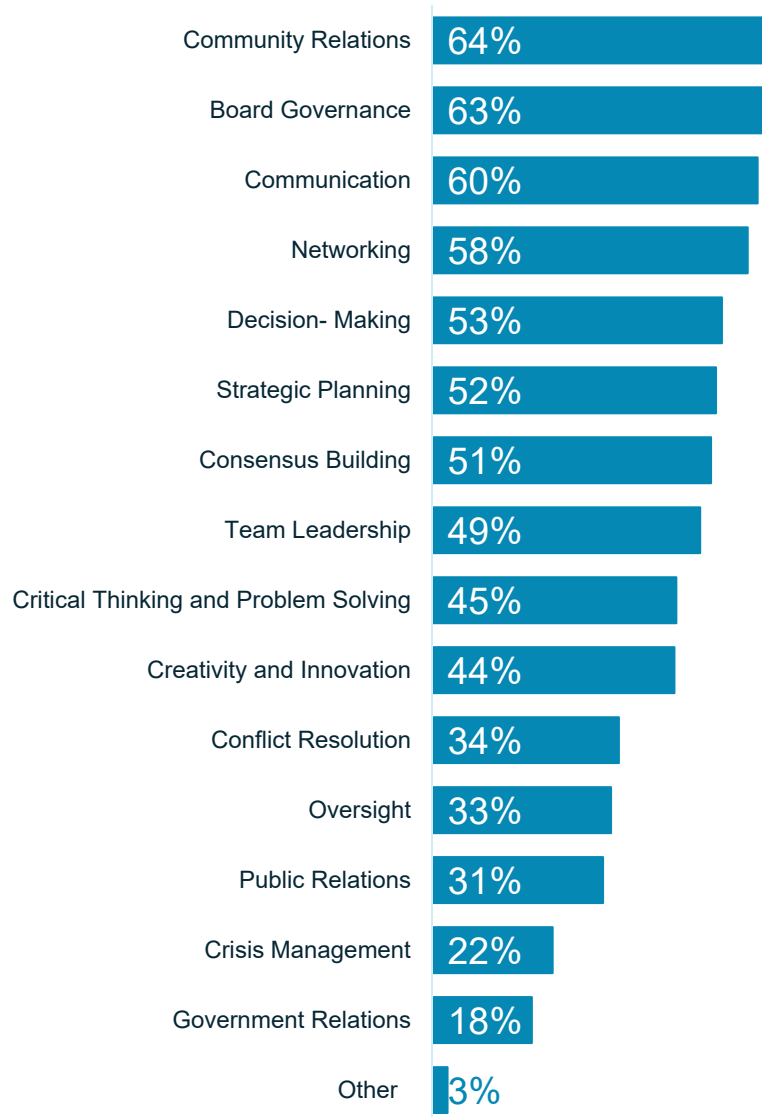
"I helped connect the organization to other nonprofits and got us tied in more closely with the larger community. The partnerships allowed us to make our services more cost-effective. Also, together with the new executive director, I helped with longer-term planning that made it possible to have a greater impact—serving more people, more effectively."

"Building collaboration with other organizations and businesses. This helps me back at work. When I walk into another department and can communicate well, I can help get people on board with new ideas."

"Because the nonprofit serves three counties with different demographics, and the board includes people from all three areas, each brought a different approach to the problems we dealt with....This helped me look at things with perspectives that weren't common to me. So I considered options that wouldn't have been the natural course...This is useful to me back at work: to work with diverse people, consider various viewpoints, be able to lead and encourage and inspire...In my work, I deal with customers and sales people from very different backgrounds and they have different needs. This experience has sensitized me."



Respondents report developing an average of 6.7 leadership skills.



PART II

Developing human capital for innovation

Board members commented on leadership.

“At first, the value went one way: from me to the nonprofit, with specific tasks, like reorganizing. Then, the value went to my company: I learned the softer skills, like how you motivate people if you’re not their boss. For example, if you say there’s a new plan, but there’s no buy-in, it ain’t gonna fly. It takes a series of meetings.”

“As board chair, I’ve had to speak to commissioners and the media. My board experience prepared me for this. For four years, I watched and listened.”

“When I started working at my company, I pretty much kicked back and thought I’d arrived. Soon enough, my supervisor told me my performance was weak, and that I’d better wake up and figure things out. I took a break and figured out that what I missed was the volunteering and leadership I did in college. So I committed myself not to be an average employee, but to make a meaningful contribution to my company and community by playing a leadership role. When I went back to work, I partnered with a company retiree to establish an employee resource group [to advance a diversity initiative]. With the company’s support we grew this initiative from a regional one to a national one to a global one. This benefited our employees, the company, and the community. Then I was appointed by the governor to state commissions. As a result of my personal and professional growth and development, I’m in a top position at my company, at the table with people who are older than I am. I attribute my success to my nonprofit experience, which was a safe environment to learn. My advice: As a young professional, you can develop leadership skills through nonprofit service—skills you don’t have yet at work. You can also have great mentors like I did.”

“I was on the CEO Search Committee. It was tough...contentious. I used all of my skills to get the board rallied around a better candidate than the one they thought they wanted. That learning comes back to my company. Makes me better in how I lead and influence in the company.”



43% of respondents have served on more than one board.

“I’ve had opportunities to develop new business relationships by developing partnerships with local industries. I approached the three largest employers in the community. This was a valuable networking opportunity for me.”

“When you’re on a board, you have to learn when is the right time to speak up. What’s the right level of detail to get into. When and what to say. When you’re back at work, this experience helps you listen to issues when you’re having conversations with co-workers and superiors. You’re better at communicating, listening, asking better questions. And your overall confidence.”

“My board experience has given me confidence to speak to a group of strangers. I’m confident in my knowledge and what I have to share.”

“Participating on a nonprofit board can be quite useful personally and professionally. It’s useful for networking. I’m not very good at that...I’m a geek. But I’m helping to plan weekly forums and getting good at networking. Primarily you do need to contribute to the organization, but it’s okay to also see the experience for the personal benefit as well.”

“There’s a lot of marketing involved in helping my nonprofit. As a result, I’ve met people who’ve become customers while also becoming involved with the organization.”

“My board experience has helped me work with customers who go through these kind of issues—finance, strategy. I’ve gained a healthy respect for what it takes to put together a new enterprise, whether it’s a business or a nonprofit. And I have clients that are both.”

“The experience was especially beneficial with regard to conflict-resolution. Everyone is a volunteer, so you have to figure out how to keep everyone engaged. What I learn through my nonprofit board work is very helpful and beneficial [back at work]. Things that work well through my service work, I bring those back to my work.”

“I’ve never had to train or teach people before. But on my board, I’m asked to provide expertise and guidance based on the management training that I’ve had. For example, when we were working on the mission statement, some people were trying to be very literal. I helped to elevate their understanding for us to create a crisp statement.”

“I have a brand new filter now. I see things and think: that would work for us.”

PART III

Fostering economic development and achieving the U.N. SDGs

Leading companies recognize that they will mitigate risks, reduce costs, and grow shareholder value by helping to find innovative solutions to global problems—social, economic, and environmental.¹⁶ As a result, the majority of the world's largest corporations have joined the United Nations effort to achieve the SDGs.¹⁷ The SDGs, formally adopted by the U.N. General Assembly in 2015, provide a framework for the private sector, governments, civil society, and individuals to end poverty, protect the planet, and ensure prosperity for all by 2030. Trend analysis provided by Datamaran shows the increasing number of companies focusing on the SDGs.¹⁸

Economic development. The SDGs drive economic development which is good for business and society. Business people who serve on boards are engaging productively in advancing the SDGs. Survey respondents report that they serve on boards that address various SDGs: good health and well-being (SDG3), quality education (SDG4), reduced inequalities (SDG10), sustainable cities and communities (SDG11), partnerships for the goals (SDG17), and more. “The purpose of economic development should be to put a regional economy on a trajectory of higher growth (growth) by increasing the productivity of firms and workers (prosperity) that raises standards of living for all (inclusion),” explains Amy Liu.¹⁹ “This brand of economic development can lead to deep prosperity—growth that is robust, shared, and enduring.”

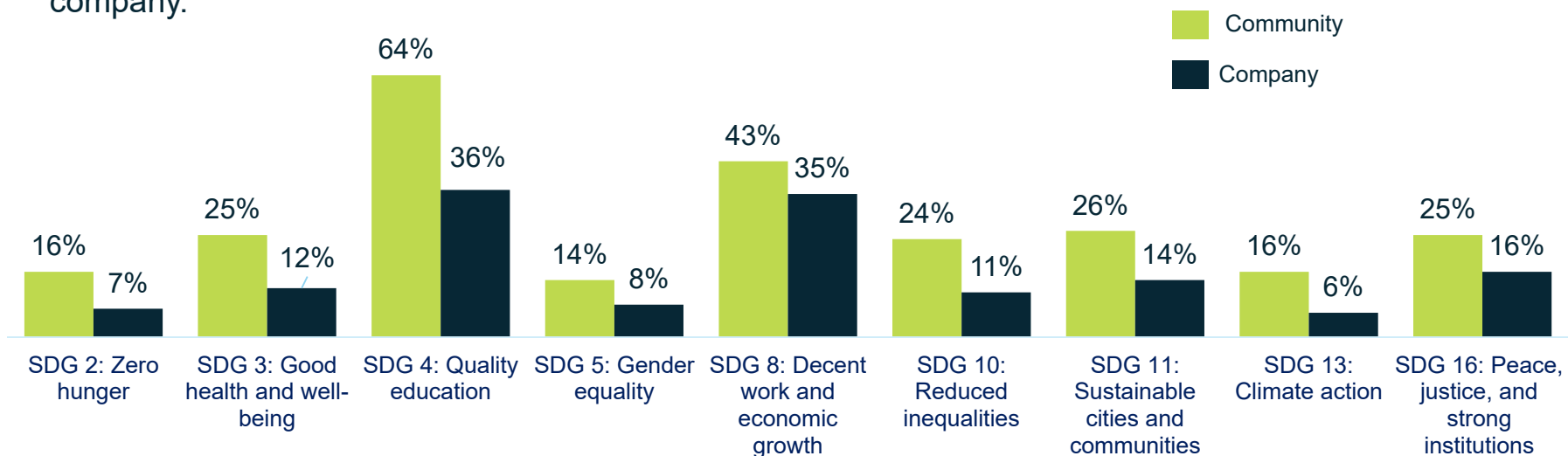
The U.N. SDGs and the community. This study demonstrates that board service promotes healthy communities and a healthy and prosperous planet. Survey responses reveal that business people who serve on boards have a clearer understanding of the impact of challenges facing their communities—particularly good health and well-being (SDG3), quality education (SDG4), decent work and economic growth (SDG8), reduced inequalities (SDG10), sustainable cities and communities (SDG11), and peace, justice, and strong institutions (SDG16).

The U.N. SDGs and the company. Additionally, employees who serve on boards report that they gain an appreciation of the impact of community challenges on their companies—particularly quality education (SDG 4), decent work and economic growth (SDG 8), sustainable cities and communities (SDG 11), and peace, justice, and strong institutions (SDG 16).

By serving on boards, business people gain insight and help find solutions that improve their communities and enhance their companies' success.



The following issues are clearer to board members in terms of how these issues affect their community and company.



¹⁶ See Korngold, Alice (2014), *A Better World, Inc.: How Companies Profit by Solving Global Problems...Where Governments Cannot*, (New York: Palgrave Macmillan).

¹⁷ For more see: United Nations (2017), Sustainable development knowledge platform. <https://sustainabledevelopment.un.org/sdgs>

¹⁸ Trend analysis provided by Datamaran is in the Appendix.

¹⁹ For more information see: The Brookings Institution (2016), *Remaking economic development*. https://www.brookings.edu/wp-content/uploads/2016/02/BMPP_RemakingEconomicDevelopment_Feb25LoRes-1.pdf

PART IV

Recommendations

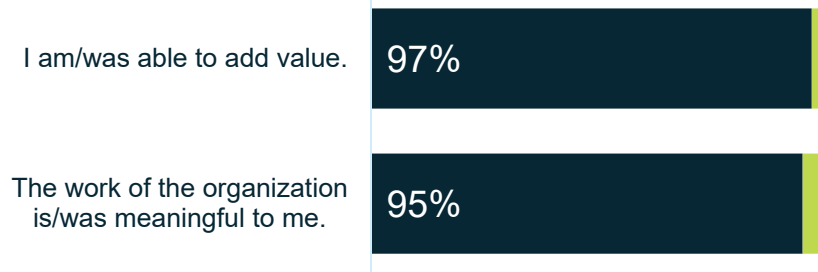
This study shows the leadership development value of nonprofit board service for business people and their employers. Companies can further develop and retain more diverse, inclusive, and effective leaders and workforces by establishing uniquely valuable board training and matching programs. Business people who serve on nonprofit boards report that the experiences are meaningful and that they are able to add value. Additionally, many people who do not already serve are interested, especially if they obtain a better understanding of expectations and assistance in finding the right board fit.

Meaningful service. The level of satisfaction among those who serve on nonprofit boards is compelling. Nearly every respondent reported that the work of the nonprofit is meaningful to them (97%), that they are able to add value (95%), and that they would recommend nonprofit board service to their friends and colleagues (99.5%). The majority of respondents serve in leadership positions on their boards (81%), some serving on multiple boards and in multiple leadership positions.

Additional interest. Also striking is that 96% of people who are not on boards show interest (556). This is an untapped reservoir of human capital for the company to develop. Furthermore, the group of people who indicate that they might be interested come from more diverse backgrounds than the group already serving. There are more Millennials, more women, and more people who identify as Asian, Latino or Hispanic, Black or African-American, Native Hawaiian or Pacific Islander, American Indian or Alaska Native, Middle Eastern or North African.



Respondents report the following regarding their board experience.



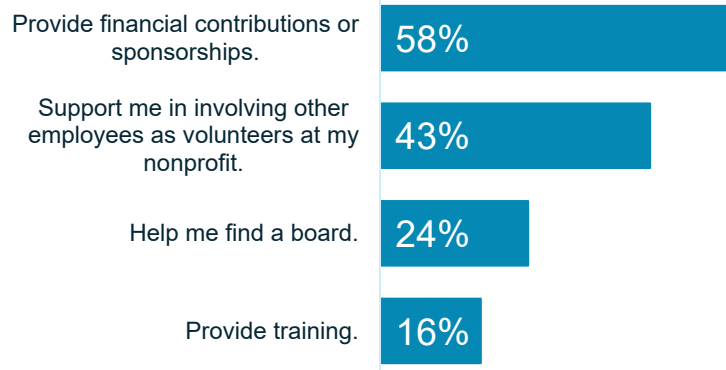
Now is the time for companies to invest in leadership development that works. “As the pace of change for strategies and business models increases, so does the cost of lagging leadership development. If CEOs and their top teams are serious about long-term performance, they need to commit themselves to the success of corporate leadership development efforts now.”²⁰ This study shows the value of nonprofit board service in advancing diversity and inclusion; developing human capital for leadership in innovation; and fostering economic development and the U.N. SDGs—all essential to growing shareholder value. Companies can maximize the potential of their employees by training and preparing them for board service, and providing ongoing support.

As one survey respondent stated in a subsequent interview:

“I see two reasons to serve on boards: First to give back. And second, it’s a tremendous value for leadership development...I would love to see companies see how they could incorporate this into leadership development.”



Respondents report that their companies support them.



²⁰ For more information see: McKinsey (2017), What’s missing in leadership development. <https://www.mckinsey.com/global-themes/leadership/whats-missing-in-leadership-development>

PART IV

Train. Match. Support.

Companies that seek to enhance and expand their board programs, or establish a new program, should take the following three steps: Train. Match. Support.

Train. To optimize the benefits of board service to the company, individuals, and nonprofits, companies should offer a board training program for employees interested in serving. Not only is this a best practice, but the survey shows that people interested in boards would be more likely to serve if there were training that addressed responsibilities and expectations.

Respondents who serve on boards recommend topics that would be most useful in preparing business people for board service: the role of the board and how it's distinguished from management; nonprofit financial models; fundraising; and context about how nonprofits are formed and their obligations and accountability.

In interviews, board members made these observations.

"The biggest challenge is role clarity. What is my role on the board? I learned this from my first board. You're not running the organization. Also, every board is a little bit different. You have to understand the culture of that board."

"I had no idea what was expected of me....as a board member to the organization, and also in terms of how I could benefit my company and its status. There's an opportunity for the board and organization, and also my company. It would be very useful to have fundamental training about what boards do, and why my company values this experience."

"My company provided training. It helped by pointing out the differences between your work team and the nonprofit environment, like the limited resources and volunteers."

"Training was useful because I'd never served on a board before. And the role of the board is very different from my work at the company. Governance is not execution. The temptation is to jump in and fix things, but governance is different and it's tricky."

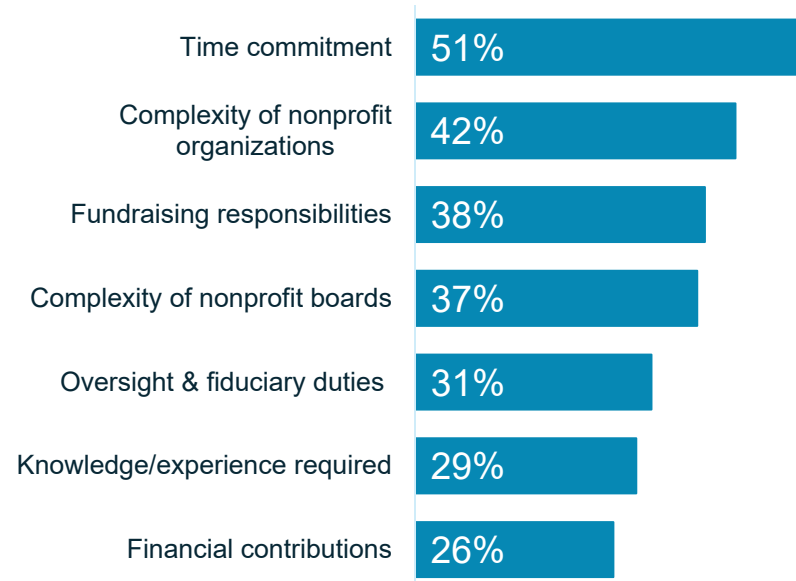
Many people who were interviewed described the challenges of balancing work, family, and their board service. They recommended that people who are new to boards should be thoughtful about what they would contribute, particularly in terms of time. Companies can help their employees to navigate these decisions to find the optimal balance.

As one board member stated in the interview:

"The biggest challenge is balancing my commitment to my board with my day job. My company has been great! I discussed my board role with my boss before joining the board in order to get on the same page."



Respondents report that the following are different than they anticipated.



PART IV

Train. Match. Support.

Match. Companies can help ensure that their employees have productive and rewarding board experiences—that also reflect well on the company—by assisting employees in finding the right nonprofit match. There are a variety of approaches to board-matching that a company can establish depending on goals, demand, and budget. By providing highly effective board-matching services, companies will make it more likely that people will participate, and help maximize the benefits to the company, employees, and the nonprofits where they serve.

Support. Best practices indicate that board experiences will be more productive and rewarding for employees, their companies, and the nonprofit where they serve if companies assist their employees' efforts. Additionally, employees appreciate their employers who support their involvement.

One employee stated in an interview:

"I appreciate my company's support for my board service. It helps us develop as leaders for the future. When you're assigned to a new work group, and you tell them about what you've done as a volunteer, they see what you can do, and they'll give you more responsibility."

Survey responses and subsequent interviews with respondents indicate specific ways that companies can help.

Support: time. People who were interviewed expressed their appreciation for the company's support, particularly with regard to time.

Comments made in follow up interviews.

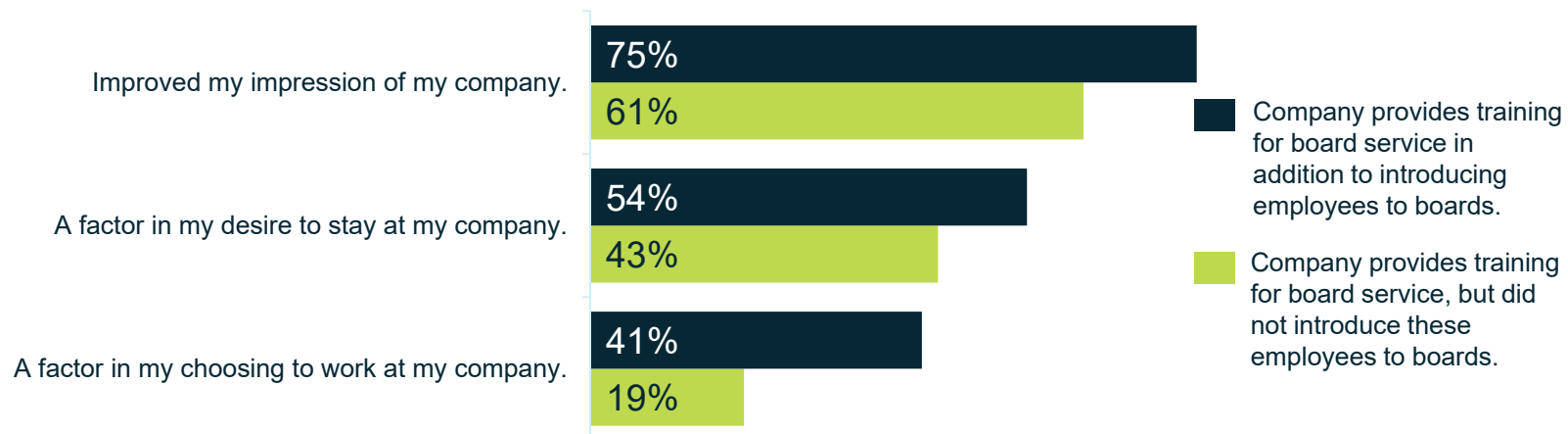
"My company gives me the time to serve on nonprofit boards. That makes it possible for me to serve on the Governor's Commission so time is helpful to allow me to drive to the State Capitol. That matters because I'm able to influence the broader community in my state....building relationships and partnerships that also benefit my company. I've translated my board contributions into strategic priorities that also help my company, making the company more visible and better known for its contributions."

"My company allows us the time to volunteer. I'm fortunate to work with a company that puts volunteering at the forefront."

"I'm glad that my company offers the flexibility with my work schedule to participate."



Employees are more likely to work and stay at companies that introduce them to boards and provide training for board service.



PART IV

Train. Match. Support.

Support: financial. Employees whose companies provide financial support to their organizations are very appreciative. Those whose companies do not support their involvement financially note that it creates challenges.

“When you’re a board member from a company, the organization looks to you for corporate support. I think it’s VERY important that the company backs us up, as my company does, with sponsorships and/or scholarships. It puts the board member in a very awkward position if the board member can’t solicit from their company.”

“My company supports most of the organizations where I’m on the board. So I can walk the talk. That’s valuable to me. It would bother me if I went to board meetings, and I had to say ‘yes my company supports diversity, but they won’t support this organization whose mission is to [advance] diversity.’”

“I love my board involvement. But I’d also love for my company to show me their appreciation for my [advancing causes] that help the company. I’d love the company to ask ‘what can we do to support your work on boards?’ Because there are always opportunities for board members to develop valuable relationships, so the company needs to help me to be successful as a board member.”

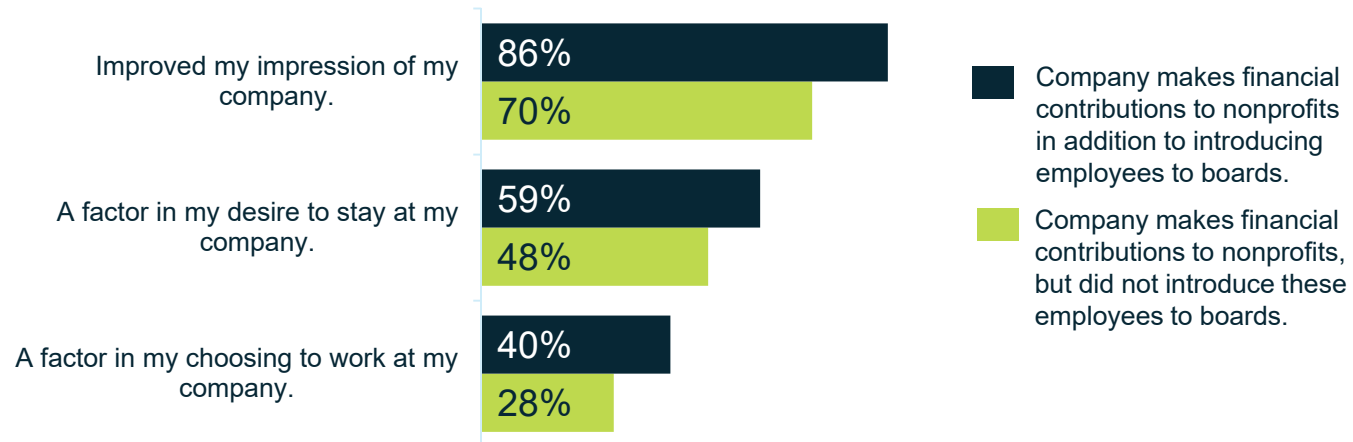
Support: recognition. In interviews, people recommended that companies recognize their service. Some commented that since their contributions on boards reflect well on the company, they would like their companies to recognize their service publicly and also in their performance reviews.

“Once a year, the company could recognize people in a public way...people who are serving nonprofits. It would give everyone a chance to hear about what charities are benefiting from volunteers from the company, and how their skills could also be used for the public good.”

“I’ve never been told ‘there’s value to our company when you serve on a board. I’d like to see my service recognized in my performance reviews. My external relationships through my board service are not considered....factored in...I’m building strategic relationships that are valuable to my company.’”



Employees are more likely to work and stay at companies that introduce them to boards and provide financial contributions to the nonprofits where they serve.



PART IV

Train. Match. Support.

Support: coaching and ongoing training. People who were interviewed commented on the complexity of nonprofits and board governance. They also commented on the challenges of balancing work, board service, and family time. By providing ongoing coaching and training, companies can maximize the leadership development value of board service, enhancing the win-win-win for their employees, the company, and the nonprofit and community.

“It’s more complex than people think. When you’re handling other people’s money, it’s a great deal of responsibility. In a sense, you’re running a business.”

“You can spend a lot of time on your board if you’re not careful. That can impact your work. You have to balance and prioritize.”

“It takes more time than you think, and it’s harder than you think. If you don’t limit yourself, it will consume you. There is no finite amount of work. You have to be cognizant and limit yourself.”



By encouraging and supporting board service among their employees, companies can grow shareholder value by optimizing progress in advancing diversity and inclusion; developing human capital for innovation; and fostering economic development and achieving the U.N. SDGs.



Nonprofit sectors where respondents serve.



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About the author



Alice Korngold, President and CEO, [Korngold Consulting LLC](#), provides strategy advisory services for board members and executives from multinational corporations, professional services firms, and global, national, and regional nonprofits. Her areas of expertise are board governance, ESG/sustainability/CSR, and diversity and inclusion. Korngold authored [A Better World, Inc.: How Companies Profit by Solving Global Problems...Where Governments Cannot](#) (Palgrave Macmillan, 2014) and [Leveraging Good Will: Strengthening Nonprofits by Engaging Businesses](#) (Jossey-Bass, a Wiley Imprint, 2005). She authored the chapter on Sustainability and Corporate Governance in the [Handbook on Board Governance: A Comprehensive Guide for Public, Private, and Not for Profit Board Members](#) (Wiley, 2016).

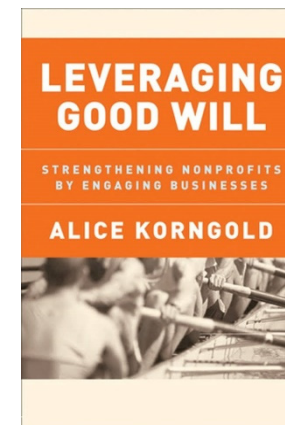
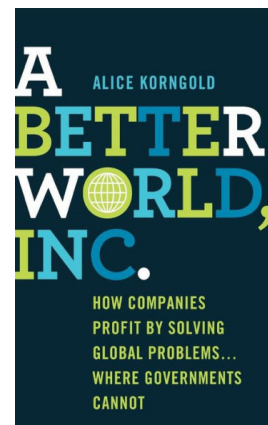
Korngold is a Visiting Professor for the Masters in Financial Accountability, York University, Toronto, Canada.. She is a juror for the World Environment Center's annual Gold Medal Award for International Corporate Achievement in Sustainable Development. Korngold received a B.A., history and an M.S.Ed., psychological services, from the University of Pennsylvania.



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Appendix

Big Data Analysis of Corporate Reporting Trends from Datamaran®

The following Datamaran inputs offer evidence-based insights that illustrate company behavior around issues related to the key themes of this study, as reflected in their corporate disclosure.

This is based on a Datamaran analysis of corporate reporting trends on issues related to key themes of the study, using Artificial Intelligence (AI) and big data analysis techniques. The analysis covers the corporate reports* issued by over 7,000 of the world's largest market cap companies.

Through the analysis, we can identify issues that are currently and are emerging as mainstream in business worldwide – i.e. those that have been receiving consistently increasing attention over time and those that gained more attention in recent years, respectively.

The transition from an emerging to mainstream issue typically occurs when reporting on an issue hits “critical mass,” i.e. more than 50% of the companies are reporting on the issue and this number continues to increase over time.

Emerging issues signal to opportunities for companies to demonstrate innovation in reporting, value creation and risk management, and shows stakeholder that companies are prepared and accountable for these issues.

About Datamaran

[Datamaran](#) is an award-winning AI-powered non-financial risk management platform that leverages real-time big data to derive decision-useful insights from unstructured data, including corporate reports, regulatory initiatives, digital news and social media.

Datamaran uses Natural Language Processing (NLP) techniques to interpret human language, based on an evolving dictionary of over 100 non-financial issues that reflects and responds to observable real-world changes. Issues include environmental, social, corporate governance, geopolitical and technology topics, such as Workforce Diversity and Inclusion, Innovation Research and Development, Digitalization and Human Rights.

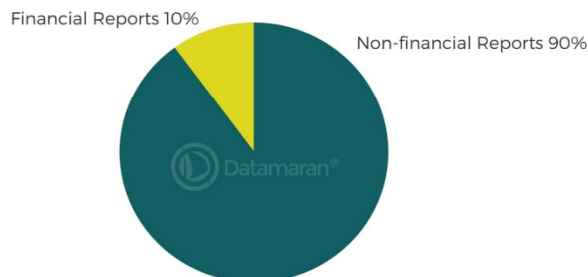
On Board Engagement and Leadership in Non-profit Organizations

The following charts illustrate corporate reporting on *Board engagement and leadership in non-profit organizations*.

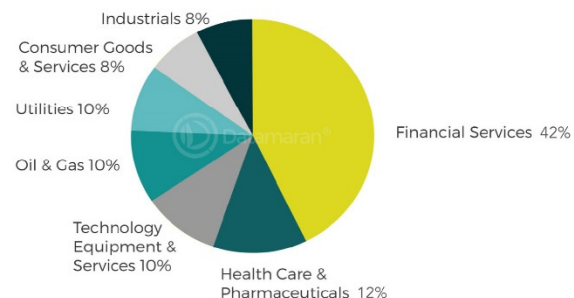
This is based on an analysis of specific references related to this broader theme. For example, one of the United States-based financial services firms included in this analysis explains how having their executives provide board leadership to community organizations helps to contribute to a culture that promotes positive employee morale and differentiated brand awareness, as well as strengthen customer relationships.

The majority of references are found within Annual Non-Financial Reports. Companies headquartered in the United States and operating in the Financial Services sector are leading the way.

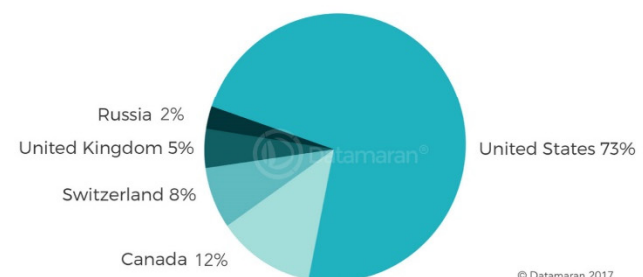
Corporate Reporting Trends on
'Board engagement and leadership in non-profit organizations'
by **REPORT TYPE**, based on reports published from 2010 to 2017



Corporate Reporting Trends on
'Board engagement and leadership in non-profit organizations'
by **INDUSTRY**, based on reports published from 2010 to 2017



Corporate Reporting Trends on
'Board engagement and leadership in non-profit organizations'
by **COUNTRY**, based on reports published from 2010 to 2017



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*Includes the Annual Financial Reports and Annual Non-Financial Reports published between 2010 and 2017.

Appendix

Corporate Reporting Trends Provided by Datamaran®

On Workforce Diversity and Inclusion

The chart to the right compares corporate reporting on the issue *Workforce Diversity and Inclusion** across the United Kingdom (UK), United States (US), European Union (EU) and the Middle East and North Africa (MENA). It showcases the proportion of companies disclosing details on *Workforce Diversity and Inclusion* within their corporate reports published between 2010 and 2016.

The majority of companies based in the UK and the EU have been consistently reporting on *Workforce Diversity and Inclusion* since 2010, with increasing references over time.

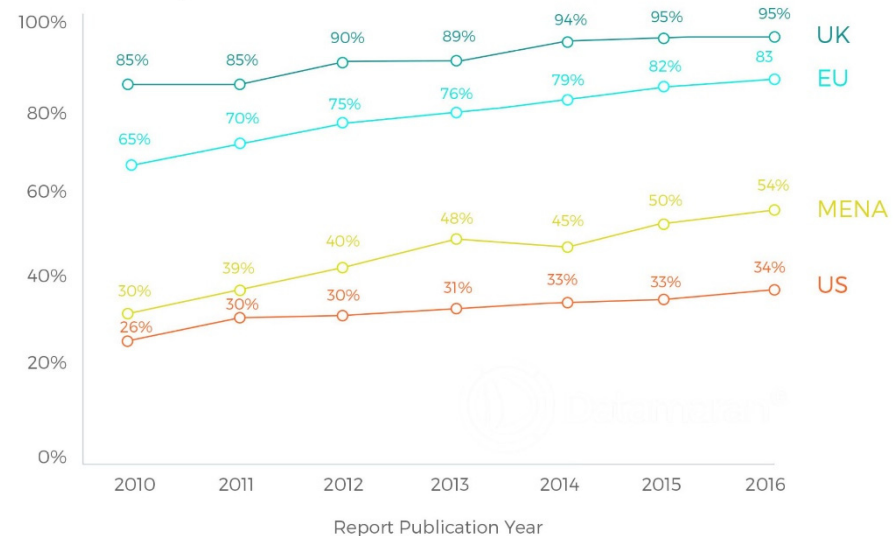
This may be reflective of the growing demands for more granular information and metrics by regulators in these countries, such as reporting requirement on the proportion of women in senior management positions and the size of the gender pay gap.

Corporate Reporting Trends on **Workforce Diversity and Inclusion**

Based on corporate reporting trends from over 7,000 of the world's largest market cap companies and their Annual Financial and Annual Non-Financial Reports issued from 2010 to 2016. The line graph shows the proportion of companies disclosing details on each topic per year.

© Datamaran 2017

Proportion of companies disclosing details on each topic



On Human Capital for Innovation

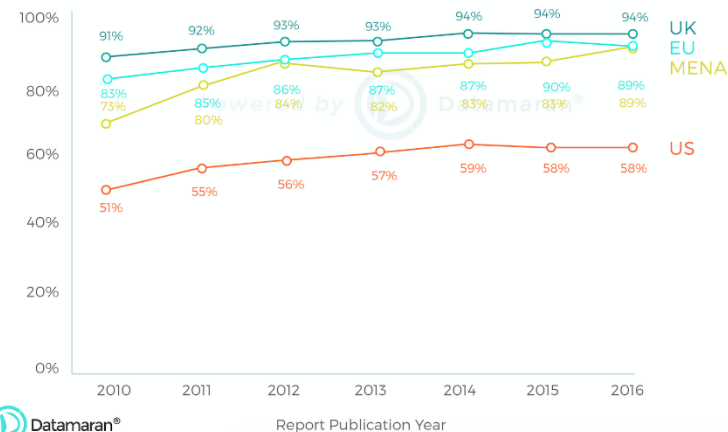
The chart to the right compares corporate reporting on the issue *Employee Development** across the UK, US, EU and (MENA). It showcases the proportion of companies disclosing details on *Employee Development* within their corporate reports published between 2010 and 2016.

The vast majority of companies are reporting consistently on the topic in the UK, EU and MENA since 2010, whereas in the United States there is a lesser majority. This suggests that there are opportunities for companies to demonstrate innovation in employee development practices.

Corporate Reporting Trends on **Employee Development by Region**

Based on corporate reporting trends from over 7,000 of the world's largest market cap companies and their Annual Financial and Annual Non-Financial Reports issued from 2010 to 2016. The line graph shows the proportion of companies disclosing details on each topic per year.

Proportion of companies disclosing details on each topic



Appendix

Corporate Reporting Trends Provided by Datamaran®

On Economic Development and the UN SDGs

The chart on the right illustrates corporate reporting trends related to the United Nations Sustainable Development Goals (UN SDGs). This is based on the total number of corporate reports in which references to the UN SDGs are found, based on Annual Financial and Non-Financial Reports published from 2010 to 2016.

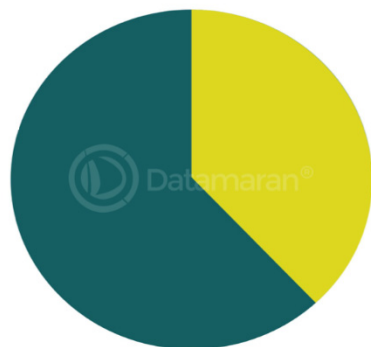
Although the SDGs are not legally binding, they have a considerable impact on companies, which is reflected in the exponential increase in references to the SDGs in corporate reports between publication years 2015 and 2016.

As shown below, the majority of the references to the SDGs are found within Annual Non-Financial Reports; however, there are a relatively large percentage of references within Annual Financial Reports, which signals to how these issues are transitioning into mainstream business practices.

Corporate Reporting Trends on the UN Sustainable Development Goals by **REPORT TYPE**

Based on corporate reporting trends from over 7,000 of the world's largest market cap companies and their Annual Financial and Annual Non-Financial Reports issued from 2010 to 2016.

62% Annual
Non-Financial
Reports



38% Annual
Financial Reports

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Corporate Reporting Trends on the UN Sustainable Development Goals by **PUBLICATION YEAR**

Based on corporate reporting trends from over 7,000 of the world's largest market cap companies and their Annual Financial and Annual Non-Financial Reports issued from 2010 to 2016. The line graph shows the number of reports in which references to the UN SDGs are made.

Total Number of Reports

