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## Nonprofit Board Member Term Limits: Easier Said Than Done?

Board member term limits define the number of consecutive terms an individual member is permitted to serve. On paper, these policies may seem clear and simple, but nonprofits often experience a more complex and nuanced reality. This article explores real-world considerations that may impact board member term limits for endowments and foundations.

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As nonprofit governance practices and policies have evolved, the adoption of board member term limits has varied widely among different organizations, sectors, and regions. However, in general, the percentage of nonprofits that utilize term limits has increased over time, according to [BoardSource](#) data. Although term limits can create challenges around succession planning and annual turnover, they can also be a helpful tool for improving board performance, increasing board diversity, and attracting new board members.

CAPTRUST's [2022 Endowment & Foundation Survey](#) showed that 59 percent of surveyed nonprofits have formal board member term limits in place. Interestingly, however, one-third of organizations (33.5 percent) reported having board member terms but no defined limit on consecutive years of service. The survey also showed that organizations with term limits are more likely to follow a broad range of governance best practices, from having a formal conflict-of-interest policy to engaging in fiduciary training.

According to the annual [Leading with Intent](#) study, the most common nonprofit term limit structure is two three-year terms. Many boards allow former members to rejoin after a one-year sabbatical.

Here, it's worth noting that nonprofit governance practices, including board member term limits, are subject to the laws and regulations of the jurisdiction in which the nonprofit operates. Some states have regulations or guidelines regarding term limits for nonprofit boards, while others leave term limit policies to the discretion of the organization.

## Limits Foster Strength

How do board members feel about term limits? “In one word, I’d say they feel relieved,” says [Eric Bailey](#), endowment and foundation practice leader at CAPTRUST. “Of course, we all want to give our time and talents to make a positive difference in the world, but I don’t know of anyone who wants to be a permanent volunteer on a nonprofit board.”

By creating a sense of urgency and accountability, term limits often improve board performance and can reduce organizational anxieties about leadership turnover. “Almost everyone works better when they’re working under a deadline,” says CAPTRUST Principal and Financial Advisor [Bill Altavilla](#). “When board members know their tenure will be limited, they may be more motivated to optimize their time, instead of letting responsibilities linger.”

This is something Altavilla has experienced firsthand, both as a financial advisor to endowments and foundations and as a board member of multiple nonprofit organizations. Altavilla says boards are sometimes concerned that term limits will disrupt established relationships and group dynamics. “And that’s true, of course, but usually term limits disrupt things in a good way,” he says.

“What I’ve seen is that when term limits do hit, the board is usually reinvigorated and refreshed,” says Altavilla. “People get excited, and they remember that change is good because it brings new perspectives and approaches.”

While continuity has its benefits, boards grow stronger not despite turnover but because of it, as new members infuse fresh energy, ideas, and perspectives. Term limits also offer a healthy way for the organization to rid itself of existing board members who are inactive, ineffectual, or misaligned.

For instance, Altavilla says, “I’ve seen a few cases in which the organization has given a board seat to a major donor but later realized the person was inhibiting their progress or was detrimental to the culture of the group. If there are no term limits in place and this person is donating a large amount of money, the board can feel indebted and therefore obligated to keep them involved. But when you have a normalized process in place with defined term limits, you can rely on the natural course of action to create predictable turnover.”

Term limits can also be used to increase board diversity. In fact, one study published in the [Alabama Law Review](#) showed a strongly negative correlation between incumbency and board diversity, suggesting that—even without a board member matrix or developed pipeline of diverse board members—term limits stimulate board diversity by opening the door to new talent. This can help prevent stagnation and ensure that the board is better able to represent the communities the nonprofit serves.

## Turnover and Recruitment

Of course, term limits also pose challenges, especially when it comes to recruitment. Firm limits mean current board members must commit continued time and attention to recruitment efforts and succession planning. “Recruiting nonprofit board members is difficult, even in the best of times,” says Bailey.

Yet there is evidence that term limits can make it easier to attract new board members, since people are more likely to consider serving when they know the commitment will be limited. “There’s only so much energy you can give to an organization before you know you’re ready to move on,” says Bailey. “Typically, what board members want is to get involved, add some value, then rotate off at predictable

intervals, leaving them with the time and energy to explore new endeavors.” In other words, for most board members, term limits are both appreciated and embraced.

Best practices suggest that boards should turn over no more than one-third of their board seats each year. Bailey and Altavilla say things are typically more complicated. “Term limits are wonderful when everything is operating normally,” Bailey says. “But if a quarter of your board is due to roll off because of term limits and then another quarter of the board members quit, either because of leadership or their jobs or just sheer coincidence, that’s a serious challenge. We saw this frequently during the pandemic.”

Altavilla agrees. He says one of the boards he serves on is now facing a similar dilemma. “Four of us came on the board all in one year,” he says. “And that’s the majority of our board. Now, we’re all supposed to roll off at the same time.” But this could create a tremendous lack of continuity and a gap in leadership for the organization.

To solve the problem, the organization passed a resolution offering these four board members the option to remain on the board for two additional years. Two members accepted the offer. “This at least buys us a little time to find and integrate qualified replacements,” says Altavilla. It’s not an ideal solution, he says, but recruiting candidates for unpaid board roles feels exceptionally difficult right now.

And finding volunteers who are interested in leadership is an even bigger challenge. “Lots of people want to participate on a board but don’t want to be in a leadership position,” Altavilla says. “So many boards end up playing musical chairs within their executive committees. Year after year, the same three or four people take turns being secretary, treasurer, vice chair, and chair.”

This leadership succession problem shows the challenge and complexity of selecting the right term length and limits. “If board terms are too short, new members won’t have enough time to grow into leadership positions,” says Bailey. “You want to make sure you can vet people appropriately and give them the chance to vet the organization. Otherwise, you basically need to tap someone immediately after they join the board and get them in the pipeline to become the board chair.”

#### **Implementing or Revising Policies?**

For endowment and foundation board members who are implementing term limits or revising their term limit policies, there are several considerations to keep in mind. First, it’s important to establish a clear and transparent process for implementation. Usually, this means amending the organization’s bylaws or governance policies to outline board term limits, name the specific criteria for reappointment, and define the process for succession planning. Next, be sure to clearly communicate the rationale for all term limit decisions.

Finally, it’s important to regularly evaluate how effective the organization’s term limit policies have been and adjust as necessary. As a best practice, boards should reevaluate their bylaws and term limits at least every five to seven years, or each time they address their strategic plans. “This helps ensure that board governance policies are working in alignment with the nonprofit’s strategic goals,” Altavilla says. It’s also a good idea to monitor the impact of term limits on board performance, diversity, and overall governance.

By implementing term limits thoughtfully and strategically, nonprofit leaders can harness the potential benefits of term limits while mitigating the potential downsides, leading to improved board performance and organizational effectiveness. In this way, board term limits can be a good governance

tool to help the organization achieve its mission and demonstrate its values.

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