



eBook

# Why Term Limits Matter

✓ An Introduction  
to Term Limits

✓ 5 Key Benefits  
of Term Limits

✓ Short-Term and Long-Term  
Impact of Term Limits





# Imagine This Scenario...

You are recruited to head up a non-profit organization as its new CEO.

- After your first few board meetings, you notice that only a third of the board members actively participate. You begin to consider replacing these board members.
- When you raise the issue with the board chair, she empathizes but says there’s nothing you or she can do. “We don’t have term limits. We’ve always brought in new board members whensomeone steps down on their own.”

This is not a far-fetched scenario. According to BoardSource, the respected authority on nonprofit governance, nearly a third of nonprofit boards do not have term limits.

In this eBook, we’ll define term limits, examine why they matter and their impact, and detail why we recommend having them.

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# What Are Terms?

Terms are simply a length of board service. Typically, they are spelled out in an organization's [bylaws](#).

- For nonprofit organizations, BoardSource recommends two consecutive three-year terms.
- For for-profit corporate boards, the National Association of Corporate Directors (NACD) recommends term limits of 10–15 years.

Both organizations also recommend a staggered term system that allows for a certain number of new members to be chosen each year and limiting the number of terms expiring at the same time. That way, boards can maintain continuity and new members have mentors with institutional experience.

## A Note About Bylaws

The Bylaws are an essential founding document of any organization and are typically composed along with the Articles of Incorporation. Bylaws spell out the detailed rules and procedures for managing the organization, explaining who has authority over what and under what circumstance. They are the who, what, when, where, why of organizational governance.

If your organization does not have term limits, the Bylaws are where they need to be documented. Amending your Bylaws is a fairly simple procedure, and Passageways has a blog post that explains how to get started. The post is written for a different purpose (holding remote meetings), but the process is the same for adding or amending term limits.

Of course, the standard disclaimer applies. if you have questions or concerns about where you stand legally, it's always best to consult your legal counsel and get the official thumbs up. [Learn How to Amend Your Bylaws](#)





# What Do Term Limits Accomplish?

According to Roger Raber of the National Association of Corporate Directors (NACD) and Judith O'Connor of the National Center for Nonprofit Boards (NCNB), both for-profit and [nonprofit boards face the same fundamental challenges](#):

- Managing the pace of constant change brought on by technological advancement
- Guiding the organization toward sustainable, long-term growth in a hypercompetitive environment
- Developing board talent with an increased emphasis on core personal and professional competencies

Term limits providing a mechanism for bringing in new members with fresh ideas to tackle these challenges. This is especially true for boards as they deal with the long-term ramifications of the COVID-19 pandemic, too.

When the pandemic broke in early 2020, boards had to grapple with a new level of disruption and uncertainty. In an [EY study](#), only 21% of board members indicated they believe their organizations were “very prepared” to respond to an adverse risk event such as COVID-19.

Planning, communications, recovery, and resilience efforts were all affected by board composition. In that [same EY study](#), less than half (40%) of board members indicated they were “satisfied” with managing new and emerging risks. Clearly, one of the critical obstacles was the lack of board member talent with appropriate skillsets.

Ultimately, term limits help ensure that a board's composition reflects its current and forward-looking leadership needs.



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# 5 Key Benefits of Term Limits

There are five key benefits term limits provide:

1. Making it **easier to bring in new ideas and new perspectives** to a board and its decision-making process
2. Providing a **systematic planning timeline and process** for replacing needed board skills
3. Giving a board member **a chance to step down gracefully** if they are burned out, have family commitments, or are ready to move on
4. Provide a **respectful and efficient mechanism for the exit** of passive, ineffective, or troublesome board members
5. **Avoiding the perpetual concentration of power within a small group** of people and the potential intimidation of new members by this dominant group

Additionally, there are several drawbacks to term limits that we recommend bearing in mind.

- Potentially losing institutional memory and expertise that has benefited the board over time
- Needing to dedicate additional time to re-building the cohesiveness of the board as new members join and old members rotate off
- Needing additional resources to help identify, recruit, and orient new board members



# Short-Term & Long-Term Impact of Term Limits

In the short-term, the lack of term limits can make it difficult for a board to bring on new leadership equipped with the skills needed to respond to fast-changing events. Over the long term, it can hurt an organization's ability to expand and reach new audiences, especially in terms of diversity, equity, and inclusion (DEI).

At the [WCD 2020 Virtual Global Institute](#), Julie Hembrock Daum of Spencer Stuart said that low board turnover (8%) helps keep minority candidates from getting onto boards. While she also predicted "we will see the numbers significantly change" this year, this low turnover rate also uncovered an opportunity where better skills evaluations can help boards bring on new members of different genders and minority groups. After all, if you don't measure your current directors' effectiveness, it's hard to know when fresh blood is needed.

To make board skills evaluation a more systematic process, download the [FREE Board Skills Matrix](#) available on the Passageways website. Learn more about the Board Skills Matrix below. Needing additional resources to help identify, recruit, and orient new board members



Board of Directors  
Skills Matrix



## Free Meeting Tools: The Board Skills Matrix

Our Board Skills Matrix is an essential tool for a better board composition. At a bare minimum, your current board's skills assessment will help you know how to achieve the right mix of skills, backgrounds, experiences, and perspectives going forward. To maximize its usefulness, customize it and align it as close as possible to your board's strategic objectives. Print PDF to have on-hand when considering board software vendors.

DOWNLOAD

# Conclusion

As the needs of the organization change over time – or high-risk events such as the pandemic continue to emerge – the board’s composition should also change to ensure it has the necessary skill sets, perspectives, and networks of the future. Term limits provide the mechanism to enable this change. With the number of boards reporting no term limits trending downward since 1994, more boards are opting for the flexibility and strategic consistency they build into their organizations’ governance structure.





# Introducing OnBoard

OnBoard is a complete board management solution, with the most accessible user experience ever, with every feature you could ever want, with the complete security you need, that's available on every device. And when real people are given the opportunity to evaluate OnBoard, they enthusiastically rate it above the competition.

OnBoard has won Capterra's award for ease of use, received the American Business Award for governance technology, and is the top-rated board software across dozens of platforms, including G2 Crowd, the Apple App Store, and GetApp.

And because of our technology, service, and support, OnBoard is the only leading board management platform that offers a no strings attached free trial — so you know precisely what you're getting before you fill out any paperwork. There's no credit card, no commitments. Just an open offer to use OnBoard and make up your mind. We hope you accept our invitation to try OnBoard. Whether you're using another solution or still on paper, we'll turn your trust into a happy board of directors.



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