

BOARD RESEARCH

Adding a Few More Pieces to the Puzzle: *Exploring the Practical Implications of Recent Research on Boards*

by David O. Renz, PhD

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THE CHALLENGE OF LEADING NONPROFIT ORGANIZATIONS in today's tumultuous and complex environment encourages both nonprofit leaders and researchers to pay more attention to studying nonprofit boards and what enables them to be strong and effective. Perhaps more than ever, nonprofit organizations and their leaders are dedicated to developing highly effective ways to govern and lead, and to enhance their performance, competitiveness, and strategic advantage.

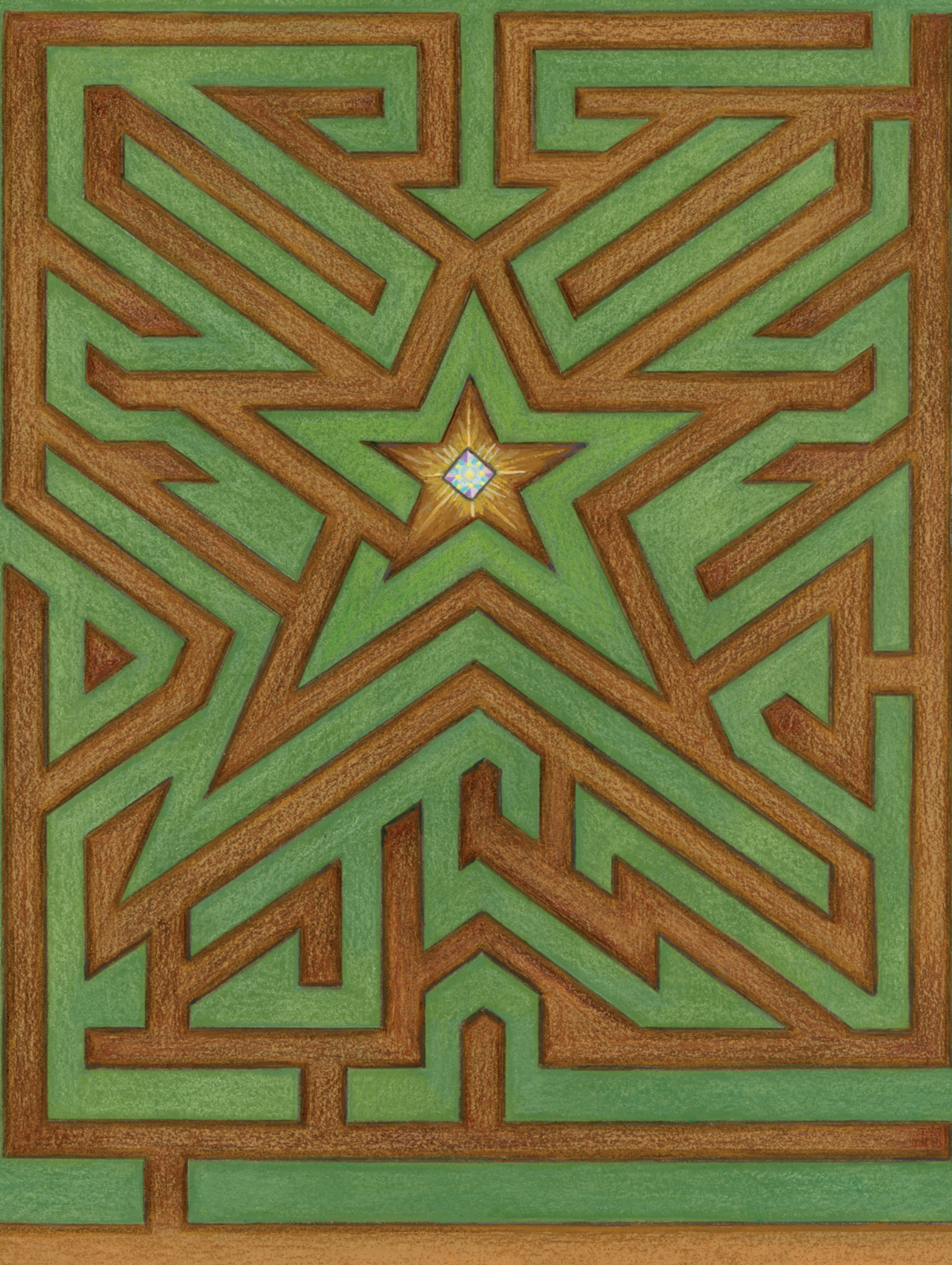
Unfortunately, even as we develop increasingly important insights into the changing nature of boards and their work, far too many in the sector continue to base their understanding of board work on anecdote, conventional wisdom, and stories from the past. Of course, in these challenging times this shouldn't be too surprising. Given the pressures of trying to keep their

agencies afloat and find enough time to meet too many demands in too little time, most nonprofit leaders simply don't have the energy to sort out the practical implications and value of even the best research. In the spirit of help, this article offers an overview of some of the most useful recent research on nonprofit boards and governance, and suggests some of the practical insights the research has to offer.

The volume of published work on boards and governance continues to grow rapidly. Our review of recent research indicates that, compared with ten years ago, nearly three times as many board research articles have been published. Clearly, this is a significant market niche. But if we look at the research, what does it tell us? At first glance, it seems that academics and researchers report what we've known for quite some time: the world of nonprofit boards and governance is messier and more complex than ever. But embedded in this work are important elements of practical clarity for those who care to take notice.

As we continue to follow the growing body of nonprofit board research, we find particular value in five general streams of inquiry:

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(1) variation across the world of nonprofit boards; (2) important elements of board capacity; (3) assessment and understanding of board effectiveness; (4) understanding board design and roles; and (5) governance across organizational and other boundaries.

Each stream adds a little more to our understanding of the complicated and dynamic world of nonprofit boards.

Understanding Variation in the World of Boards

For all that has been written over the past two decades on the subject, almost none of it reflects complete or systematic research toward understanding the universe of nonprofit boards, how they are organized, and how they work. In a recent sector-wide study of more than 5,000 U.S. nonprofit charity boards, Francie Ostrower and colleagues have begun to rectify this shortcoming.¹ The study is the first ever to secure a truly representative sample of American nonprofit charities, and relies on executive directors as its source of information. So it reflects only one perspective on boards, yet offers valuable insight (and confirms some fears as well).

Ostrower's report presents useful statistics on boards and who serves on them. Not surprisingly, fully half of all nonprofit charity boards have only white (non-Latino) members. And while the average board is about 46 percent female, only 29 percent of very large nonprofits (with annual budgets of over \$40 million) have any women on their boards at all. Furthermore, these boards are quite middle-aged: a full 78 percent of their members are between the ages of 36 and 65. Astonishingly, *only 7 percent of all charity board members in America are younger than 36.*

The Ostrower study also offers some important insight into the relationship between who sits on a board, how he or she came to be selected, and how well the board performs its key tasks (such as financial oversight, policy setting, community relations, influencing public policy, CEO oversight, fundraising, and monitoring board performance). Almost all boards report trouble recruiting well-qualified members:

70 percent say that it is difficult to find qualified board members, and 20 percent say that it is very difficult. Interestingly, Ostrower reports that there is no evidence to suggest that compensating board members helps agencies to attract more effective members (only roughly 2 percent of these nonprofits compensate their board members).

Furthermore, recruiting from among board members' friends and acquaintances—the most common approach—turns out to be counterproductive. Boards that rely on friend or acquaintance recruitment show lower levels of effectiveness on all aspects of board work other than fundraising. The study also surfaces an interesting finding about the link between chief executive board membership and board performance: chief executives serve as members of the board for roughly 21 percent of the agencies in the survey, yet boards that include the chief executive as a voting member generally perform less well in the areas of financial oversight, policy setting, community relations, and influencing public policy. In fact, no board activities are positively associated with having the chief executive as a board member.

The study offers many more insights than the few I share here, and I encourage all who are interested in boards and board effectiveness to review the reports that Ostrower and others have prepared (see references at the end of this article for relevant sites). I have to flag an additional insight from the study, however, that involves the impact of board size: Ostrower finds no relationship between the size of a board and the level of its members' engagement; nor does she find any link between the board's size and its performance. Apparently, board size does not matter.

Subsequent to the release of her initial reports, Ostrower had the opportunity to home in on the characteristics of what she labels "midsize" nonprofit organizations.² The organizations that fall into this group have annual budgets within the range of \$500,000 to \$5 million. One could argue that this range is so large as to include too diverse a group of nonprofits (there are significant differences between the half-million dollar

nonprofits and the multi-million dollar nonprofits, for example), yet this newer research begins to offer additional insight into how board practices and characteristics vary according to organizational size.

Elements of Board Capacity

Three recent studies provide insight into the value of developing board capacity. Truth be told, the insights are not startling; but still, they raise some troubling questions about why we do not put into effect what we already know about ways to develop boards.

Bradley Wright and Judith Millesen examine the degree to which board members understand their roles and the expectations for their performance as members.³ Their study surveyed both board members and chief executives, providing a nice mix of sources. It should not be surprising to learn that ambiguity about roles has an adverse affect on board-member engagement—multiple studies on volunteer performance and turnover have told us this for years. But what Wright and Millesen tell us about what we really do is troubling. Most board members report that they learned their roles “on the job”—while actually serving on the board—as opposed to having been provided the relevant information prior to starting their board service. Both chief executives and board members agree that boards do very little for members in the way of orientation, training, or ongoing feedback. And boards disagree about how well board members do their work. About two-thirds of all board members report that they understand the expectations and their roles well, yet only roughly 40 percent of chief executives are confident that their board members understand their roles. At the same time, chief executives tend to agree that they are not providing their board members with the orientation, training, feedback, or other ongoing board-performance information—even though we know these efforts make a difference

How do we know they make a difference? In 2007, Texas A&M University researcher William Brown studied board-development practices and linked them to assessments of board member competence and performance in credit unions.⁴

The results have raised the spirits of consultants and board trainers everywhere. Brown examined the link between effective recruitment practices, orientation practices, and board and member job performance. He found that effective recruitment and orientation contribute to board member competence, and that board member competence is highly related to overall board performance. Interestingly, board orientation is also directly related to positive board performance overall, not just the competence of its members.

One final aspect of this study raises an important question: How is it that while Brown found a clear connection between the use of effective recruitment and orientation practices and overall board member competence, these practices explain only about one-third of the members’ level of competence? Clearly, as we continue our research, there is more to learn.

A nice study done in 2006 by Sue Inglis and Shirley Cleve examines a different dimension of board capacity: the motivations that lead people to serve on nonprofit boards.⁵ The article offers a complete review of the research on this field, and it does an excellent job of building on that work to help us better understand the needs and interests of those we want to attract to our boards. Inglis and Cleve found that board members’ motivations to serve could be grouped into six general categories:

- Enhancement of self-worth;
- Learning through community;
- Helping community;
- Developing individual relationships;
- Unique contributions to the board; and
- Self-healing.

Given how difficult many nonprofits say it is to recruit good members to their boards, it makes sense for a board to consider these motivations in its recruitment and retention plans.

One of the most important and interesting new themes of board research focuses on the unique role of the board chair and the implications of board-chair effectiveness. Yvonne Harrison and her colleagues began this work in the mid-2000s and have since published the initial results in multiple publications, including the summer

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2007 issue of *NPQ*, which was one of the first to print the results.⁶ (Readers are encouraged to review that article for the work's key themes and insights.) It is not surprising to learn that the board-chair role has a significant impact on boards and their performance (this may be another case in which the typical nonprofit executive delivers a resounding "Duh!" to the research world), yet the value of Harrison's work lies in its more complete and systematic explanation of how this pivotal role uniquely influences board effectiveness.

Assessing and Understanding Board Effectiveness

Given the widespread recognition that board performance is closely related to the effectiveness of nonprofit organizations, many in both the research and practice worlds have been examining the question of how best to assess board effectiveness. A few of the older tools continue to be widely used (for example, the early board assessment developed by Larry Slesinger and the Board Self-Assessment Questionnaire developed by Douglas Jackson and Thomas Holland), but new tools are being developed.⁷ Among the most recently published and empirically validated of board self-assessment tools is the Governance Self-Assessment Checklist (GSAC), which Mel Gill and colleagues created as a tool for in-depth assessment.⁸ In addition, as part of the overall GSAC development process, Gill's team developed and validated a shorter tool, the Board Effectiveness Quick Check, which has also proven to be quite accurate in assessing board effectiveness. Several research studies of the past decade, including work that Robert Herman and I have implemented, affirm that there is a strong positive relationship between board effectiveness and the effectiveness of nonprofit organizations.⁹

An interesting by-product of the Gill team's research came from its effort to assess the comparative value of various board-development models. The team found that well-designed board-development initiatives can be valuable where improving board effectiveness is concerned, but there is *no specific board-development model*

or approach that is inherently better than any others for improving performance. As long as the board-development initiative employs a well-conceived, systematic approach, it makes no difference which approach is taken.

This finding is consistent with that of researchers Patricia Nobbie and Jeffrey Brudney, who sought to compare the impact of using the "policy governance" approach to board development with other board-development approaches.¹⁰ They, too, report that the use of a well-developed systematic intervention of any type makes a difference in performance. They also found no evidence that one approach is likely to achieve better outcomes than another. Policy governance has attracted ardent support from a number of nonprofit consultants, executives, and board leaders. But—to date—there remains almost no empirical research about the effectiveness of the policy-governance model or the conditions under which it works more or less well.

The Work of the Board

Several recent board studies have begun to examine boards' work from a "contingency perspective." In the field of organization studies, it is widely accepted that successful organizations (in any sector) vary their design and structure to align with the conditions and challenges posed by their relevant external environment. Organizations seek an appropriate "fit," or alignment, that enables them to best address the demands and opportunities posed by these external conditions. In other words, their design is *contingent* on the characteristics of their external environment. Given that most consider boards to be integral to a nonprofit's relationship to the external world, it makes sense that organizational researchers want to understand how board design and roles might vary according to the nature of an organization's external conditions.

In 2010, Ostrower and Melissa Stone published one of two studies examining the relationship between external conditions (for example, funding source characteristics), internal characteristics (the size of an organization, for example, and whether it has a paid chief executive), and the roles that boards perform.¹¹ They

found that boards of very large organizations (i.e., in terms of budget) were likely to be less involved in external roles (community relations, for example) and more involved in internal roles (for example, in financial oversight). They also reported a link between having a paid chief executive and board activity: Boards with paid CEOs tend to focus their attention on financial monitoring and CEO performance monitoring, and they tend to be less active in monitoring an agency's programs and services as well as in a board's own performance. For nonprofits that do not have paid chief executives, a larger share of the boards is actively involved in program monitoring, but even for these organizations, less than half (43 percent) engage in such monitoring. Perhaps not surprisingly, Ostrower and Stone found a strong correlation between higher levels of government funding and greater board activity in external relations (and also in the extent to which an organization uses monitoring practices such as those prescribed in the Sarbanes-Oxley Act legislation). They found that boards of agencies that are highly reliant on funding from earned income (fees) were more active in implementing internal monitoring roles.

Importantly, in 2007, board researcher Chao Guo examined in greater depth the impact of government funding on patterns of nonprofit governance.¹² This timely study highlighted the complexities of the nonprofit-government relationship. Government funding places additional demands on nonprofits and has significant implications for the work of the board. As more and more nonprofits perceive growth in government funding as a positive option, this study offers important perspective and caution.

In another contingency-oriented study, Will Brown and Guo examined the roles that community foundation boards play, and how these roles vary under different conditions.¹³ The study relied on information from a survey of chief executives who were asked which board roles were most important to them. Brown and Guo then examined how these roles differed when related to environmental uncertainty, the degree to which the organization was complex (i.e., had

many different programs), and the relationship with the chief executive. In order of importance, the key roles executives cited were fund development, strategy and planning, financial oversight, public relations, ensuring board vitality, and policy oversight.

As might be expected, the study found that the boards of small foundations working in complex environments tend to focus more on strategy, while boards of larger, diversified foundations tend to emphasize oversight roles. Interestingly, boards of foundations that have chief executives with long tenure focus less on oversight. Notable but perhaps not surprising, boards of agencies in limited-resource environments tend to be more actively engaged in resource development roles.

Bigger Than Boards: Governance across Boundaries

One of the interesting new developments in research on nonprofit boards and governance is the emergence of several studies that examine unique kinds of governance, including those that cross organizational boundaries. These studies are designed to help us understand how multiple organizations and networks of organizations (including organizations from different sectors, such as government and nonprofit) are engaged together in governance processes that blur and cross organizational (and even sectoral) boundaries. Much remains to be learned about this new frontier of governance, and the possibilities for new forms of governance behavior are intriguing.

As communities work on complex and dynamic issues that cannot be addressed effectively by individual organizations, these phenomena take different forms in different settings. Some forms look like collaborations and alliances, some like layers of organizations that are "nested" within other larger and more extensive organizations, and some are networks of multiple organizations. For example, Canadian researcher Patricia Bradshaw has written about the emergence of systems of "nested governance" to describe the layers of governance activity that sometimes develop in federated and distributed organizations and networks.¹⁴ Traditional models of governance are no longer resilient enough to be effective in these

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new, complicated environments, she asserts, and these new “messier” forms of governance emerge to meet the needs of systems that are more politicized, complex, and conflict ridden.

Stone and colleagues have begun an important set of studies to examine the governance dynamics that emerge when sets of community organizations (nonprofits as well as local and state government organizations) come together to address a complex set of transportation challenges and needs. Governance becomes much more complicated and dynamic in such settings, and these cross-sector relationships require some very different forms of governance.¹⁵ I have found similar results in my own analyses of governance processes in multi-organization alliances and networks of service delivery (as I have reported in past issues of *NPQ*), and have found that the work of individual agency boards can change quite significantly in these situations. In fact, the entire governance process is very different (and can be confusing) for those who serve on boards of agencies that experience this “reframing,” as their agencies work together to address more effectively the most dynamic and complex of community needs.¹⁶

This research niche is small but growing, largely because there is significant growth in the use of these more complicated forms of organization. Furthermore, as boundaries continue to blur between nonprofit and governmental activity, the range of questions about board work and the very meaning of governance will continue to grow.

So What Are We Learning?

Thus, we arrive at the fundamental question: What does any of this mean? I offer the following as a few of the insights I have drawn from the current generation of board research:

- It is both useful and important to draw a clear distinction between the function of governance and the work of boards. The work of governance is no longer necessarily synonymous with the boundaries of any individual nonprofit board, and even when it is, the alignment of the two constructs is not as simple as it once appeared to be.

- Board effectiveness makes a difference in organizational effectiveness, and boards can be developed to perform more effectively. Furthermore, board development does make a difference in both board and nonprofit performance.
- There are board-member and board-development practices that have the potential to make a significant difference, but way too few of us are using them to help our boards grow and perform. In particular, we have some work to do regarding practices for enhancing and capitalizing on the value of board diversity and strategies for true community engagement.
- Board work is changing, and there will continue to be changes in the operating environment of the nonprofit world. There are better and worse ways to organize, yet there is no single best model or form. Effective boards will invest time on a regular basis to reconsider what they do and how they do it.
- Environment matters to board design and practice, and the environment of government and its funding can make a critical difference. The boards of nonprofits that contract with government to deliver services are experiencing very significant stresses and challenges, some of which may threaten their capacity to govern the organization effectively.

As always, there's so much left to learn! Among other things, we'd still like to know more about (1) the effectiveness of various models of board design, including but not limited to the policy governance model; (2) the appropriate mix of value-adding board functions and roles as nonprofits become more enmeshed in extensive alliances, networks, and other collaborative ventures (i.e., the effects of these factors on governance); (3) whether, as many nonprofits seek to become increasingly entrepreneurial, there are governance-related differences relevant to governance in the work of boards of more- versus less-entrepreneurial nonprofits; and (4) alternative models and approaches to governance, and the strengths and weaknesses of each (i.e., which frameworks can best help us understand our options).

As nonprofit researchers and leaders continue to work closely together to share questions,

challenges, and insights, the opportunities to develop the next generation of innovative and effective governance alternatives are better than ever. This is good news, because the stakes have grown ever larger as nonprofits continue to play a pivotal role in sustaining and building our communities.



ENDNOTES

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