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Nonprofit and Voluntary Sector Quarterly 1992; 21; 227

DOI: 10.1177/089976409202100304

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Do Nonprofit Boards Make a Difference? An Exploration of the Relationships Among Board Structure, Process, and Effectiveness

Pat Bradshaw, Vic Murray, Jacob Wolpin

The contribution of board structure and process dynamics to organizational and board effectiveness is the focus of this article. Based on data collected from a cross section of Canadian nonprofit organizations, the results show a positive association between the perception of board effectiveness and the use of many of the most widely advocated prescriptions on how a nonprofit board of directors should operate. However, when objective indicators of organizational performance are examined, the link between performance and board behaviors is found to be more limited.

Most people assume that the board of a voluntary, nonprofit organization makes a difference for the organization with which it is associated (Carver, 1990). The literature on board of directors effectiveness is growing, and the characteristics of effective boards are being identified (see, for example, Knauft, Berger, and Gray, 1991). Much of the existing literature is prescriptive; in addition, it often draws on personal experience and anecdotal evidence rather than on comprehensive conceptual models and systematic research. Now, however, a new research-based focus is emerging. The approaches of the past—describing the ideal board or the one best way—are being challenged as more typologies and contingency approaches are developed.

This article reports on the results of a recently completed survey of over four hundred nonprofit organizations in Canada. The survey explored

Note: Funding for this research was provided by the Social Sciences and Humanities Research Council. We acknowledge the support of the Canadian Center for Philanthropy and the research assistance of Bill Tassie and Asaf Zohar. We also thank Christine Oliver for helpful comments on an earlier draft of the paper.

whether board operating dynamics and structures actually do make a difference to board and organizational performance. The article briefly reviews the normative and empirical literature on the contribution of boards to the effectiveness of nonprofits, suggests a conceptual framework, and analyzes the results of the survey.

Current Perspectives on Board Effectiveness

Normative Perspectives. The growing practitioner-oriented and normative literature on nonprofit boards focuses to a great extent on the dynamics and characteristics of what are believed to be high-performing boards. Disclaimers are common, such as Houle's comment, "Just as nobody can write a prescription that would make all marriages happy, so no one can suggest a formula for a universally successful board-executive partnership" (1989, p. 86). Still, the literature is largely prescriptive. Houle, for example, implied that certain contingencies (such as organizational age, tradition, size, and type) may influence board dynamics and operations, but he also developed a twelve-item rating scale and suggests that boards should be excellent in all categories. (The rating scale includes such assertions as board members should have a feeling of social ease and rapport, each member of the board should feel involved and interested in the work, and the board should have a sense of progress and accomplishment.) Much of Houle's book described the shoulds and hows of boards and board-staff relations.

Herman (1989, p. 193) outlined what he sees as widely supported prescriptive standards for boards. In his comprehensive review, he covered issues of board composition, recruitment, orientation, and commitment. He also described the dynamics of board meetings and the chief responsibilities of the board. Herman concluded, however, that these recommended standards represent a heroic model and that few such paragons actually exist; in fact, he believes that most nonprofits fall far short of the model.

In sum, the practitioner-oriented and normative literature strongly suggests that following prescriptions like those summarized by Herman will enable the board to have a direct impact on the performance of the organization it governs. However, the universality of these prescriptions and the strength of their impact are increasingly being tested empirically.

Empirical Studies of Boards and Organizational Effectiveness. Organizational effectiveness has long been acknowledged to be an elusive concept. In the not-for-profit sector, it is clearly recognized to be even more problematic. Competing goals of multiple stakeholders (Kanter and Summers, 1987), complex contingencies that may influence performance (Miller and Weiss, 1987), and multiple indicators such as survival, constituent satisfaction, reputation, financial viability, and outcome (Herman, 1990) are all considered in assessing effectiveness in the voluntary sector. The very concept of effectiveness has been defined to be nothing but a social judg-

ment created interactively through the process of reality construction (Herman and Weaver, 1991). Clearly, the enterprise of studying the impact of boards of directors is highly problematic when there is little consensus about what the impact is. In fact, Heimovics and Herman (1990) concluded that the predominant rational-purposive perspective, which states that boards are responsible for critical outcomes in organizations, was not supported by their research using a social constructivist perspective.

When doing empirical studies, researchers have struggled to operationalize effectiveness. One of the more common approaches is to use subjective measures based on self-reported ratings of organizational members (see Herman and Tulipana, 1985; Siciliano, 1990).

Three kinds of more objective data on organizational effectiveness are available for individual nonprofits: input effectiveness, or measures of success in obtaining the financial and other resources needed to operate (see Pfeffer, 1973); throughput effectiveness, or measures of internal efficiency in using these resources to produce outputs (see Siciliano, 1990); and output effectiveness, or measures of how well they attain their goals (see Price, 1963).

Empirical studies have looked at a number of aspects of boards and their impact on organizational effectiveness. For example, Siciliano (1990) looked at the impact of *board composition* in YMCAs. She found that either the proportion of business people on the board was not significantly related to organizational performance or the relationship was negative. Pfeffer (1973) studied the importance of *board member selection* and found that boards of hospitals containing a higher proportion of members selected for fundraising abilities rather than administrative abilities tended to be associated with greater input effectiveness.

The *role of the board* has been looked at in several studies. For example, the role of the board as a buffer between paid staff and the public was studied by Price (1963). More recently, questions about the board's role in planning have been examined by Siciliano (1990). She found a positive relationship between board involvement in formal planning and one of her measures of the organization's social performance.

The impact of *board-staff relations* on organizational performance has been another research focus. For example, Herman and Tulipana (1985) found that ratings of organizational effectiveness were positively related to the extent to which board members felt informed of their responsibilities and duties. Herman and Heimovics (1987) found that CEOs who were commonly perceived to be the best also engaged in more leadership behaviors in relation to their board of directors. CEOs who emphasized working with and through their board were more likely to be seen as effective.

This brief review of the literature shows how fragmented and exploratory our empirical understanding of the impact of nonprofit boards actually is. At this time, no shared measures of board or organizational effectiveness

exist, and the correlates of effectiveness have not been well defined. The practitioner-oriented literature is much clearer in describing the ideal attributes of boards, and it assumes that boards with these attributes will enhance organizational performance. Empirically, therefore, questions of correlates of board and organizational effectiveness still need exploration.

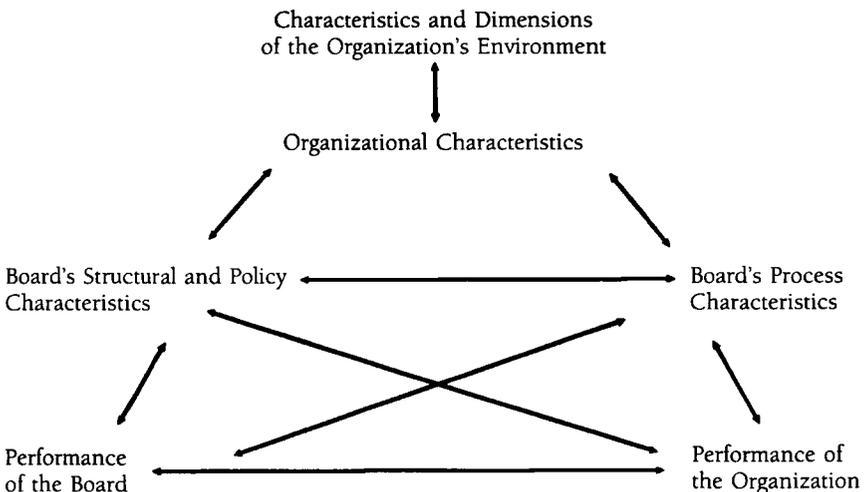
Conceptual Framework

To bring some order to the somewhat confused debate over the relationship between boards and organizational performance, we propose a simple conceptual framework that identifies the major sets of variables discussed in the literature (see Figure 1).

At the level of the board, we distinguished between structural and policy characteristics on the one hand and process characteristics on the other. Board structures and policies include such factors as board size, number and types of committees, existence of position descriptions, written manuals and policies regarding terms of office and attendance at meetings, and so on. We conceptualize structures as dynamic processes that have become codified, formalized modes of action and that subsequently constrain the process and the ongoing flow of behavior. Structures can change, but they are more entrenched than policies and therefore more difficult to change.

Board process characteristics include the nature and extent of strategic planning efforts, how board meetings are conducted, what issues are presented to the board and how it deals with them, who dominates decision

Figure 1. Framework for the Analysis of Nonprofit Boards



making, the extent to which a common vision of the organization exists, the amount of conflict within the board or between board and staff, and so on. The combination of structural and process characteristics is assumed to produce something called board effectiveness and also to contribute to organizational effectiveness.

Both these aspects of boards are assumed to be affected by certain characteristics of the organization and its environment, including the size and age of the organization, the sector of the nonprofit world in which it primarily exists, its mission, the sources of its funding, and its legitimacy in the community. This article explores two aspects of this conceptual framework: the impact of board process characteristics and of board structural dimensions on board and organizational effectiveness.

Research Methods

Sample and Methodology. The data for this study came from a survey of twelve hundred nonprofit, voluntary organizations in Canada, carried out between December 1990 and February 1991. A pretest was conducted, and questions were revised on the basis of this feedback. The questionnaire was then sent to the executive directors of the organizations on the mailing list of the Canadian Center for Philanthropy, a national umbrella organization dedicated to advancing the interests of the entire Canadian nonprofit sector (somewhat similar to INDEPENDENT SECTOR in the United States). A follow-up reminder was sent to all participants three weeks after the questionnaire was mailed. The response rate was 35 percent, for a total of 417 completed questionnaires.

The thirty-one-page questionnaire elicited basic identifying information on the organization and asked questions about the board of directors, the organization's characteristics and performance, and the personal background of top management and the respondent. The analysis presented here is part of a larger project that will look at other aspects of nonprofit boards of directors (see Murray, Bradshaw, and Wolpin, 1992).

Measures. The measures used to test organizational and board performance and board process and structure were composed of single-item and multi-item scales. Where appropriate, Cronbach's coefficient alpha was computed to determine the internal consistency estimates of the reliability of the scales. The average alpha for the ten scales reported here was .74. (Details of the means, standard deviations, and alphas are available by writing to the authors.)

In this study, multiple measures of effectiveness, both subjective and objective, were used. Subjective perceptions of organizational effectiveness reflect the biases of survey respondents, which may consist of either wishful thinking or an unduly critical attitude. Therefore, we did attempt to gather some limited objective data on effectiveness. On a questionnaire survey of

diverse nonprofits, we were not able to measure efficiency or output effectiveness. However, we did measure effectiveness of resource acquisition by asking about deficits and growth in budgets. As suggested by Herman (1990), any one indicator is too limited to adequately capture the multidimensional nature of effectiveness. Using more than one indicator allows us to look for covariance and patterns indicative of a uniform effectiveness construct. If no covariance is evident, we may find that effectiveness is not a uniform construct (Herman, 1990, p. 300).

Two subjective measures of board performance were used. The first was a single-item measure of the respondent's *satisfaction with board performance*, graded on a scale from 1 to 10 (10 indicating total satisfaction). The second measure was a multi-item scale created by asking respondents to assess seven potential board functions (such as fundraising, long-range planning, and representing the organization's interests in the community) and to rate board performance on each function on a 6-point scale. This measure was multiplied by the respondents' assessment of the importance attached to that function by the board (again, on a 6-point scale) to provide a weighted index of *board performance of its most important functions*.

Four measures of organizational performance were developed—two subjective and two objective. The first subjective measure asked respondents to rank the *effectiveness of the organization in carrying out its mission*. Again, a 10-point scale was used (10 representing maximum effectiveness). The second subjective measure used a four-item, 5-point scale to rank respondents' perception of their *organization's reputation* in the eyes of users and funders and the trend of this reputation over the past three years.

Objective measures of performance looked at the organization's success in obtaining the money needed to operate and grow. The first of these measures was the percentage *change in the annual budget* of the organization from 1987 to 1990. The second objective measure of effectiveness was *size of any deficit incurred* by the organization over the prior three years, expressed as a percentage of the total budget. This measure was the most problematic because a relatively small proportion of the respondents reported a budget deficit in the previous three years ($n = 177$, or 43 percent). Despite this limitation, this measure does suggest some interesting insights and has been used in the analysis.

Many of the board process characteristics we looked at are drawn from the normative literature. For example, this literature suggests that low levels of conflict, board involvement in strategic planning, a shared vision of the organization at the board level, members' willingness to spend a lot of time on board-related activities, and board meetings that follow recommended how-to-run-a-meeting guidelines are associated with more effective boards and more effective organizations (see Carver, 1990; Herman and Heimovics, 1991). Although a large number of these board process characteristics were measured, in the preliminary analysis the following thirteen were the

ones that proved to have a statistically significant relationship to at least one of the performance variables.

Common vision shared by board. This variable was measured by two items asking about the extent to which the board shares a common vision of what the organization should be trying to do (its goals) and how it should go about achieving its goals.

Origin of vision with top paid manager. This variable was measured by responses to a question about the origins of the vision of the organization shared by the board. A 5-point Likert scale measured the extent of agreement or disagreement with the statement that the organization's vision is a reflection of the personal vision of the CEO (the top paid manager).

Origin of vision with top voluntary leader. As with the previous variable, this item assessed the extent to which the respondent agreed with the statement that the common vision is a reflection of the personal vision of the president (or other top voluntary leader).

Strategic planning by the board. This measure was made up of seven items, which asked respondents to indicate on a 5-point Likert scale the extent to which they agreed or disagreed with questions relating to the effort devoted by the board to strategic planning, the extent to which board actions reflect the plan, and how effectively the board sees the "big picture" and sets broad strategy.

Board involvement in operations. This was a standardized measure composed of three items assessing the extent to which the board is involved in the day-to-day operations of the organization. For example, one question asked to what extent board committees develop and help to deliver certain specific programs and activities. In other words, is this a hands-on board that gets involved in day-to-day operations?

Meeting management. This was a six-item measure composed of questions using a 5-point Likert scale to assess the extent of agreement or disagreement on a number of aspects of decision making and meeting effectiveness. For example, questions were asked about whether meetings run too long, whether the board has trouble reaching conclusions when discussing something, whether advance notice of issues to be discussed at meetings is adequate, and whether responsibilities for further action are clear after a board discussion.

Intra-board conflict. This five-item measure assessed political behaviors and conflicts among board members. For example, respondents were asked to what extent they agree that disagreements are not resolved constructively, that cliques or factions on the board clash with one another, and that extensive backroom dealing takes place before meetings.

Board-staff conflict. This three-item measure assessed the extent to which respondents agreed that the board and staff are often in conflict, that the board tends not to pay much attention to advice from staff, and that communication between the two groups is poor.

Existence of a core group. Respondents were asked to what extent the work of their board is carried out by a few particularly hard-working members, who form a sort of core group for the organization. This item used a 5-point Likert scale, with responses ranging from 1 (a very great extent) to 5 (a very little extent).

Core group as a positive force for change. Following on the last variable, respondents were asked to assess the extent to which the core group acts as a positive force for change in their organization, again on a 5-point Likert scale ranging from 1 (usually acts to block change) to 5 (acts as a strong positive force for change).

Three aspects of the board's workload were also examined: (1) *Hours spent by specific office holders.* This single-item question asked for the approximate number of hours per month spent working for the organization by those who hold specific offices or titles, such as president or treasurer. (2) *Hours spent by general board members.* As with the previous variable, this one measured the reported number of hours per month spent working for the organization by the board members who do not hold any particular office. And (3) *number of full board meetings.* This was a straightforward question about how many times the full board met during the past twelve months.

The structural characteristics of the board we looked at were degree of formalization (Hall, 1991), structural complexity, and size. Although these variables are well recognized in organizational theory literature, they are less well researched in empirical studies of nonprofit organizations.

Formalization. This concept was measured using two variables. The first scale ranged from 0 to 4 and was created by combining four nominal measures that assessed whether the board does or does not have certain rules and procedures in place to guide its operations. For example, respondents were asked if the board limits the number of terms an individual can serve as chairperson, if board members are appointed for a fixed term of office, if the organization has a formal orientation program for new board members, and if it has any other formal programs for training board members. The second measure of formalization was an ordinal scale made up of six items, each using a 5-point Likert scale. The items assessed the extent to which the organization has detailed, comprehensive printed materials on board operations (such as a member's handbook or policy manual), a formal attendance policy for board members, and an up-to-date description of the responsibilities of board members and committees of the board.

Horizontal complexity. This item was measured in two ways. The first was a question about the number of committees of the board. The second asked how many members of the board hold formal offices and was taken as a percentage of the total number of board members.

Board size. This variable was measured with a single item asking how many board members the organization has.

Results

Methods of Statistical Analysis. Data analysis proceeded in two steps, each employing a different statistical procedure. First, bivariate statistical methods—namely, zero-order correlations—were used to examine the overall pattern of findings between the variables. The zero-order correlation coefficients indicate the strength of the relationships among measures used in the study. Second, a multivariate statistical method—hierarchical regression—was used. The regression procedure calculated multiple regression equations (weighted or unweighted) and associated statistics and plots. In hierarchical regression, the researcher specifies a variable selection method and a block of variables to be evaluated.

Characteristics of the Sample. The characteristics of the organizations in this sample are outlined in Table 1, and selected characteristics of board structure and board member background are shown in Table 2. A more detailed description of the sample is available in Murray, Bradshaw, and Wolpin (1991).

As Table 1 shows, the organizations responding are predominantly in the social welfare sector (that is, agencies assisting the disadvantaged or those with particular social problems) and the health sector (53 percent). The mission of 73 percent of the responding agencies is provision of services for others who are not members of the organization (this categorization of mission was based on Van Til, 1988). The median annual budget is \$873,000, the median number of volunteers is fifty, and the median number of paid staff is nine. Most of the organizations are located in Ontario (64 percent) and in big cities (70 percent in cities of over 200,000 people).

The boards range in size from three to sixty-five people, with a median size of fifteen. As Table 2 shows, 21 percent of the boards are at least half composed of directors in the forty-one- to fifty-year-old age group.

Associations Among Board Process Characteristics. The major focus of the research was not the relationships among the thirteen board process characteristics, but it is worth noting the extent to which many of the characteristics are related (see Table 3). In particular, there is a strong positive correlation between the extent to which the board engages in strategic planning and the extent to which the board members share a common vision of the organization. These two scales are, in turn, negatively correlated with the amount of conflict experienced by the board. Extensive planning and common vision are also positively related to the items dealing with the existence of an informal core group and the amount of effort that general board members devote to the organization. Boards that follow guidelines for good meeting management are also closely related to strategic planning, existence of a common vision, and existence of an informal core group.

Table 1. Characteristics of Organizations in Sample

	N	%		N	%
<i>Sector</i>			<i>Region/Geographic Distribution</i>		
Social welfare	123	30	Atlantic	21	5
Health	96	23	Quebec	17	4
Education	57	14	Ontario	259	64
Culture and arts	49	12	Prairies	74	18
Community benefit	38	9	British Columbia and the territories	37	9
International	13	3			
Ethnic/religious	12	3	<i>Size of Volunteer Corps</i>		
Recreation/sports	12	3	None	9	3
Environmental protection	11	3	Very small (1-10)	35	10
Other	6	1	Small (11-25)	68	19
			Medium (26-150)	139	39
<i>Mission</i>			Large (151 and more)	123	29
Services for others	302	73			
Fundraising or distributing	58	14	<i>Size of Paid Staff</i>		
Member benefit	48	12	None	4	1
Religious	4	1	Very small (2 or fewer)	69	17
			Small (3-10)	144	36
<i>Budget Size</i>			Medium (11-100)	129	33
Very small (\$199,000 and under)	89	22	Large (100 and more)	52	13
Small (\$200,000-\$999,000)	122	30			
Medium (\$1 million-\$4.9 million)	115	29	<i>Age of Organization</i>		
Large (\$5 million and over)	78	19	Very young (7 years or less)	74	18
			Young (8-14 years)	78	19
<i>Community Size</i>			Established (15-24 years)	95	23
Big city (200,000 or more)	288	70	Mature (25-49 years)	67	16
Small city (100,000-200,000)	44	11	Very mature (50 years or more)	99	24
Town (25,000-99,000)	42	10			
Small town and rural (under 25,000)	38	9			

The five structural characteristics of boards are highly correlated with one another, as would be expected. All these structural variables are positively correlated with one another with the exception of a negative association between size of the board and the percentage of board members holding formal offices. Larger boards in this sample, as well as having proportionately fewer formal office holders, also hold fewer meetings.

Table 3 also shows the association between structure and process variables. The two measures of formalization are significantly correlated with the extent to which the board shares a common vision, does strategic planning, has good meeting management, has a core group, and has full board meetings. Formalization is negatively correlated with the extent of board-staff conflict.

Table 2. Characteristics of Boards in This Sample

	N	% of Total	% Board Members in Each Category			
			0- 25	26- 50	Over 50	
<i>Size of the Board</i>						
Small (10 or fewer members)	75	18				
Medium (11-15 members)	141	34				
Large (16-20 members)	91	22				
Very large (over 21 members)	107	26				
<i>Age</i>						
Under 30			97	3	0	
31-40			65	25	10	
41-50			34	45	21	
51-60			59	34	7	
Over 60			86	12	3	
<i>Education</i>						
			0%	1- 25%	26- 50%	Over 50%
High school or less			41	39	13	7
University or college			2	6	28	64
Professional or postgraduate			9	29	41	21
<i>Employment Status</i>						
Employed full time			1	1	8	90
Employed part time			52	43	4	1
Not in paid employment			27	52	18	3
<i>Occupational Background</i>						
Managerial or professional			3	4	16	77
Skilled			33	37	22	8
Semiskilled or unskilled			61	32	5	2

Board Characteristics and Perceived Effectiveness. Bivariate Analysis.

Eleven of the thirteen board process characteristics are significantly correlated with one or both of the measures of perceived board effectiveness (see Table 3). Boards scoring high on general satisfaction are more likely to have participated extensively in strategic planning, to share a common vision, to follow good meeting management practices, to have members who work hard on board matters, and to have an informal core group that is especially active and positive about change. Conversely, effective boards experience very little internal conflict or conflict between the board and the staff. The same pattern holds true for the second measure of board effectiveness, the scale measuring satisfaction with the board's performance of important functions.

Table 3. Pearson Correlations Among Board Process Characteristics and Other Variables

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	
<i>Board Process Characteristics</i>																									
1. Common vision																									
2. Vision—origin top manager	.05																								
3. Vision—origin top voluntary leader	.03	.47 ^c																							
4. Strategic planning	.63 ^c	-.03	-.03																						
5. Involvement in operations	-.04	-.19 ^c	-.01	-.05																					
6. Good meeting management	.52 ^c	.01	-.09 ^a	.66 ^c	.20 ^c																				
7. Existence of core group	.23 ^c	-.07	-.06	.39 ^c	-.05	.29 ^c																			
8. Core group—positive force for change	.18 ^c	.13 ^b	.05	.32 ^c	-.04	.24 ^c	.04																		
9. Intra-board conflict	-.51 ^c	-.11 ^a	-.05	-.54 ^c	.19 ^c	-.60 ^c	-.22 ^c	-.34 ^c																	
10. Board-staff conflict	-.46 ^c	-.09 ^a	-.06	-.55 ^c	.10 ^b	-.54 ^c	-.24 ^c	-.30 ^c	.61 ^c																
11. Hours spent by office holders	.13	-.11 ^a	.04	.16 ^c	.14 ^b	.05	.07	.09 ^a	-.03	.02															
12. Hours spent by general board members	.15 ^c	-.12 ^b	-.02	.14 ^c	.22 ^c	.03	.15 ^c	-.10 ^a	.00	-.03	.68 ^c														
13. Number of full board meetings	.10 ^a	-.04	-.04	.12 ^b	.07	-.01	.09 ^a	-.01	-.02	.03	.09 ^a	.12 ^b													

Structure of the Board

14. Board formalization— nominal	.18 ^c	-.02	-.05	.25 ^c	-.04	.17 ^c	.16 ^c	.10	-.05	-.10 ^b	.08	.13 ^a	.20 ^c
15. Board formalization— ordinal	.18 ^c	-.08	-.05	.28 ^c	-.08	.26 ^c	.17 ^c	.09	-.13 ^b	-.17 ^c	.21 ^c	.18 ^c	.19 ^c
16. Percentage in formal offices	.05	-.08	.06	.06	.11 ^a	-.03	.16 ^c	-.02	.02	.00	.21 ^c	.12 ^b	.02
17. Number of board committees	.08 ^a	-.02	.02	.14 ^b	.05	.10 ^a	.07	.06	.00	-.05	.20 ^c	.22 ^c	.02
18. Size of board	-.03	.04	.01	.03	-.13 ^b	.05	-.07	.09	.09 ^a	.03	.07	.00	-.17 ^c

Performance of the Board

19. General satisfaction with board	.55 ^c	.01	-.02	.64 ^c	.00	.55 ^c	.41 ^c	.24	-.46 ^c	-.49 ^c	.15 ^c	.18 ^c	.13 ^b
20. Satisfaction with performance of functions	.52 ^c	-.05	-.08	.61 ^c	.25 ^c	.46 ^c	.25 ^c	.27	-.39 ^c	-.41 ^c	.09	.12 ^a	.05

Performance of the Organization

21. Effectiveness in carrying out mission	.33 ^c	.17 ^b	-.01	.32 ^c	-.07	.29 ^c	.23 ^c	.17	-.23 ^c	-.18 ^c	.01	-.02	.07
22. Reputation	.25 ^c	.19 ^c	-.04	.20 ^c	-.03	.17 ^c	.06	.16	-.16 ^b	-.21 ^c	-.09 ^a	.02	.18 ^c
23. Changes in annual budget	-.12 ^b	.10 ^a	.09 ^a	-.07	.03	-.06	.01	.07	.04	-.04	-.06	-.08	-.03
24. Deficit as part of total budget	-.06	-.01	.02	-.32 ^c	.10	-.22 ^b	-.16 ^a	-.12	.01	.16 ^a	-.03 ^a	-.11	-.01

^a $p < .05$.

^b $p < .01$.

^c $p < .001$.

With regard to board structural characteristics, both of the measures of formalization and the number of board committees (as an indicator of horizontal complexity) are positively correlated with both measures of board performance. Size of the board and percentage of formal office holders, however, do not correlate with either performance measure.

Multivariate Analysis. Although the number of statistically significant correlations between process characteristics and satisfaction with board performance is impressive, it was also somewhat overwhelming. Regression analysis was therefore used to uncover the most important of these variables. Process and structural characteristics, as a block, account for 52 percent of the variance in the general satisfaction measure and for 54 percent of the variance in the performance-of-important-functions measure. However, in the hierarchical regression reported in Table 4, in which the five structural variables are entered as a block first and the thirteen process variables entered second, we found that the two formalization variables account for 9 percent of the variance in satisfaction with board performance. Of all the process variables, the extent of strategic planning engaged in by the board explains 31 percent of the variance in general satisfaction with the board's performance; five other process variables contribute another 10 percent. Four of the significant process variables are existence of a core group, the extent to which the board shares a common vision, good meeting management practices, and the extent to which the board is involved in operations.

When perceptions of how well the board performs important functions is the criterion variable, the four-item scale of board formalization is the only structural variable that enters, and it explains 7 percent of the variance. The process variable measuring the extent of strategic planning is again the biggest contributor, explaining 28 percent of the variance. The four other process variables contribute another 16 percent of the variance. Of these four, board involvement in operations is the largest force, and it explains another 11 percent of the variance.

Board Characteristics and Organizational Performance. *Bivariate Analysis.* The two measures of the board's performance are significantly correlated with the two subjective perceptions of the overall performance of the organization.

The two objective measures of organizational performance achieve low correlations with board effectiveness, although they are still statistically significant. General satisfaction with the board's performance is negatively associated with increases in budgets over three years and with large budget deficits. Performance of important board functions was found not to be significantly related to budget increases and negatively associated with budget deficits. In other words, organizations whose boards are seen as performing their important functions well are less likely to incur large budget deficits.

Table 4. Hierarchical Multivariate Analysis of Board Characteristics and Performance

<i>Independent Variables</i>	<i>Beta</i>	<i>r</i> ²	Δr^2
<i>Criterion: Satisfaction with Board Performance</i>			
Structure of Board			
Board formalization—nominal	.27	.07	.07 ^c
Board formalization—ordinal	.15	.09	.02 ^a
Board Process Characteristics			
Strategic planning	.59	.40	.31 ^c
Existence of core group	.21	.44	.04 ^c
Common vision	.21	.46	.02 ^c
Board-staff conflict	-.15	.48	.02 ^b
Good meeting management	.13	.49	.01 ^a
Involvement in operations	.09	.50	.01 ^a
<i>Criterion: Board Performance of Important Functions</i>			
Structure of Board			
Board formalization—nominal	.26	.07	.07 ^c
Board Process Characteristics			
Strategic planning	.56	.35	.28 ^c
Involvement in operations	.33	.46	.11 ^c
Good meeting management	.19	.48	.02 ^b
Core group—positive force for change	.13	.49	.01 ^a
Common vision	.15	.51	.02 ^a

^a $p < .05$.^b $p < .01$.^c $p < .001$.

Nine of the thirteen board process variables are significantly associated with one or both of the subjective organization performance characteristics; but only six of them relate to both objective measures, and the size of these correlations is much smaller.

The pattern that emerges for process variables and the subjective organizational performance measures is somewhat similar to that for the board performance measures; that is, strategic planning, common vision, good meeting management, and a prochange core group are all positively correlated with self-reports that the organization is very effective. In this case, there is also a strong positive correlation with a common vision that had its origin with the CEO. The negative correlation with intraboard and board-staff conflict again shows up.

In terms of structural variables, the two measures of formalization are positively correlated with both subjective measures of organizational performance. However, organizations with larger boards are more likely to be

reported as having a poor reputation in the eyes of others. On the other hand, there is a small positive correlation between size and number of board committees and the other measure of effectiveness, defined as effectiveness in carrying out the organization's mission.

As for the objective indicators of input performance, Table 3 shows no significant relationship between the ability to obtain budget increases and the ability to avoid deficits. It also shows that board process variables associated with budget increases are not the same as those associated with budget deficits. In fact, common vision is negatively associated with budget growth—that is, the greater the extent of common vision in the board, the lower the budget increases over the previous three years. A failure to engage in strategic planning, poor meeting management, the absence of an active informal core group, and the presence of a lot of board-staff conflict are the only significant variables associated with big budget deficits.

Structural variables are not strongly correlated with objective measures of organizational performance, although there is a small negative correlation between the ordinal measure of formalization and both objective measures of organizational performance. The greater the amount of this kind of formalization, the lower the level of budget increases and the less the extent of deficit. In other words, formalization is associated with financial stability.

Multivariate Analysis. Regression analysis pared down the list of significant variables considerably. All thirteen process variables and five structural variables, entered as a block, account for 26 percent of the measure of effectiveness in carrying out the mission and 21 percent of the perceived reputation measure.

However, Table 5 shows that structural variables explain very little of the variance in the overall organizational effectiveness measure or the reputation measure. When overall effectiveness in carrying out the organization's mission is the criterion variable, the ordinal measure of formalization explains 4 percent of the variance. The process variable of a common vision accounts for 13 percent of the variance. Strategic planning and vision of the CEO contribute 2 and 3 percent, respectively.

The reputation of the organization in the eyes of funders and users is explained to some extent by the size of the board (the relationship is negative and explains 2 percent of the variance). Three process variables explain another 15 percent of the variance, with the extent to which the board shares a common vision again being the major contributor (explaining 8 percent of the variance). Vision originating with the CEO explains 5 percent of the variance. In the case of vision originating with the top volunteer, however, the relationship is negative and explains 2 percent of the variance. A volunteer head whose vision dominates the board is more likely to be associated with a perception of poor organizational performance. However, it should be remembered that these judgments were made largely by CEOs.

Table 5. Hierarchical Multivariate Analysis of Board Characteristics and Organizational Performance (Using Subjective Measures)

<i>Independent Variables</i>	<i>Beta</i>	<i>r²</i>	<i>Δr²</i>
<i>Criterion: Effectiveness in Carrying Out Mission</i>			
Structure of Board			
Board formalization—ordinal	.20	.04	.04 ^c
Board Process Characteristics			
Common vision	.36	.17	.13 ^c
Strategic planning	.22	.19	.02 ^b
Vision—origin top paid manager	.16	.22	.03 ^b
<i>Criterion: Reputation</i>			
Structure of Board			
Size of board	-.15	.02	.02 ^a
Board Process Characteristics			
Common vision	.29	.10	.08 ^c
Vision—origin top paid manager	.22	.15	.05 ^c
Vision—origin top voluntary leader	-.17	.17	.02 ^b

^a $p < .05$.^b $p < .01$.^c $p < .001$.

Regression analysis revealed that all board process and structural characteristics as a block account for only 10 percent of the variance in budget increases but 25 percent of the variance in deficit size. Table 6 shows that only one process variable and no structural variables are statistically significant influences on budget size: A board that gets deeply involved in day-to-day operations is associated with budget increases, even though it only accounts for 3 percent of the variance.

Two process variables account for 17 percent of the variance in deficit size, and once again none of the structural variables are significant contributors. Strategic planning accounts for 13 percent of the variance, with those boards that engage in more strategic planning having smaller deficits. The absence of intraboard conflict explains another 4 percent of the variance.

Discussion

Findings on Associations Among Board Process Characteristics. Through examination of the numerous correlations among board process and structure variables presented in Table 3, a picture emerges of two kinds of boards. Boards of one kind are more formalized in their structure, share a common vision, are rarely in conflict internally or with staff, engage in strategic planning, get involved in day-to-day operations, have a strong

Table 6. Hierarchical Multivariate Analysis of Board Characteristics and Organizational Performance (Using Objective Measures)

<i>Independent Variables</i>	<i>Beta</i>	<i>r²</i>	<i>Δr²</i>
<i>Criterion: Change in Annual Budget</i>			
Structure of Board No variables entered for this block			
Board Process Characteristics Involvement in operations	.16	.03	.03 ^b
<i>Criterion: Deficit as Part of Total Budget</i>			
Structure of Board No variables entered for this block			
Board Process Characteristics Strategic planning	-.36	.13	.13 ^c
Intraboard conflict	-.23	.17	.04 ^a

^a $p < .05$.

^b $p < .01$.

^c $p < .001$.

core group to inspire them, and put in a lot of hours on behalf of the organization. Boards of the other type are at the opposite end of this cluster of variables. Although later analysis showed that not every variable has an equal impact on performance, we were impressed by how much our findings did seem to support the prescriptions expressed in the normative literature. (The one big exception is that boards usually are not encouraged to become involved in day-to-day operations; in fact, board involvement in operations is often hypothesized as leading to poor performance.)

As to why these many associations were found, three possibilities exist. The first is that some sort of causal sequence exists. That is, a board engaging in one or two of the processes is thereby led to engage in others.

The second possibility is that the clustering of characteristics is due to another set of causal factors, such as characteristics of the board members or aspects of the organization and its environment. For example, organizations of a certain age or in a certain sector or boards dominated by members of a certain age, educational level, or social status may enact board processes in similar ways.

The third possibility is that the frequent significant correlations among board process variables are due to what statisticians call common source variation; that is, all responses came from one person in each organization who might have a systematic bias coloring all his or her responses. For example, a respondent who was aware of the ideal board process characteristics advanced in much of the normative literature could have made a

blanket judgment that her or his board did or did not measure up well to that ideal. This global judgment could then color the responses to many of the specific items in the questionnaire in the same way. Further research remains to be done to establish which of these three explanations is most plausible.

Findings on Board Characteristics and Perceived Effectiveness. Again, we saw many strong correlations between board characteristics and the perceived effectiveness of boards. However, if we take the regression analysis of determinants of board effectiveness at face value, a high emphasis on strategic planning emerges as the single most important process characteristic (accounting for 30 percent of the variance). This finding most certainly supports the contention by Carver (1990) that strategic planning is the sine qua non of an effective board. The significant (although much smaller) contribution of good meeting management, a common vision, involvement in day-to-day operations, and avoidance of board-staff conflict also provides clear support for the extensive normative literature that has advocated these points for the past ten years or more (Herman, 1990). The importance of informal core groups that act for change is not discussed in either the normative or empirical literature and is clearly a phenomenon that deserves further investigation.

The degree of board formalization explains about 7 or 8 percent of the variance in board performance. It is noteworthy that the size of the board and the degree of horizontal complexity (number of committees) do not emerge as significant variables, contradicting some of the normative literature (for example, Houle, 1989).

The question remains, however, as to why these correlations exist. Again, the same three possibilities discussed previously could explain this situation. The most desirable explanation for those who write about how boards should be managed is that effective boards arise as the direct result of the variables just discussed (strong emphasis on strategic planning and so on).

The second explanation is that connections between the process and structure variables and the perceived satisfaction with the board are due to other factors in the organization's structure or environment. For example, the sample was biased toward larger, older, richer, city-based organizations, primarily in the social services and health sectors. Possibly these contingent conditions lie at the root of the connection between board process and board performance.

Finally, the possibility of common source variation is also plausible. If nonprofit CEOs believe that their boards are following most of the process guidelines for effective boards, they may be tempted to conclude that the boards are, in fact, effective. The reverse relationship might also exist: although board success may be due to many factors, CEOs may interpret their board's success as the result of certain behavior that the literature says a good board should engage in. (These explanations would not hold for the

connection between strong core groups and board performance, however, because this connection has not been featured in the literature to date.)

Findings on Board Characteristics and Organizational Performance. In terms of organizational performance, the main point to note is that board process and structure variables account for only a small proportion of the explained variance. The relatively high correlations between the subjective ratings of organizational performance and subjective ratings of board performance strongly suggest that the phenomenon of common source variance is at work.

What is different in the regression analysis of the two subjective measures of organizational performance is the emergence of organizational vision as an important factor. Having a board that shares a common vision is important, as is having the CEO as the primary source of that vision. This finding supports the work of Herman and Heimovics (1987, 1990, 1991), which has consistently shown that the leadership of a nonprofit's CEO is the single most important factor in effectiveness. Their research has highlighted the CEO's role in generating a vision of where the organization should be going.

Again, structural variables are not highly significant, although the size of the board is a negative factor in explaining the variance in reported reputation of the organization. Contrary to accepted belief, larger boards may not act as a link between the organization and its publics. However, the degree to which the board is formalized—has written policies, clear job descriptions, and manuals—does play a small role in helping the organization carry out its mission.

There is a clear difference between the two objective measures of performance. The structural variables are not significant in explaining the variances in budget growth over the previous three years and in avoidance of deficits. The process variables are more important. Boards that emphasize strategic planning are most successful in avoiding deficits, as might be expected. However, boards that also have less intraboard conflict are likely to have larger deficits. This finding suggests that, although boards need to engage in strategic planning in order to avoid deficits, they simultaneously need to allow some intraboard conflict. Perhaps such conflict prevents board members from getting locked into a static, unchanging vision of the organization and its environment. More research is needed to explain the significance of this finding.

Apparently, boards that are seen as effective serve as financial watchdogs and keep their organizations out of debt. Although they do not seem to have much influence over getting new income to help the organization grow, being involved in the day-to-day operations of the organization may facilitate budget growth, through either the board's committee or fundraising activities. The scale for measuring the extent to which the board is

involved in operations was constructed to include these dynamics along with others. Further research is needed to explore this finding.

Although a common vision is important in subjective measures of organizational performance, in measures of budget growth the association is in fact negative. A strong vision may actually inhibit budget growth, perhaps by locking the board into a stable and conservative orientation toward the future.

In general, the relatively small relationship between board behavior and the organization's input effectiveness could well be due to the fact that, in the sample of organizations surveyed, governments are the primary sources of funding (that is, in the 30–40 percent range). Governments are less likely than other funding sources to be influenced by their client agencies. Usually, large-scale economic and political factors and the size of previous budgets are much more important in determining the size of government grants than is the influence of a single agency's board. This finding illustrates the contingency hypothesis noted above, which needs to be tested further.

Conclusion

This study of the associations between board process and structural characteristics and organizational performance reveals that a nonprofit board can do many things to impress the organization's top management with its effectiveness and to create a perception that the board has an impact on overall performance. Chief among these are being deeply involved in strategic planning, developing a common vision of the organization's activities, and operating according to the guidelines for good meeting management.

On the other hand, in the limited realm of objective performance, the board's role in increasing the budget is minimal. The board is somewhat more influential, although still not much more, in keeping the organization out of deficits. This finding is consistent with the findings of Wernet and Austin (1991), who concluded that the nonprofit organizations in their sample operated in a passive and reactive fashion. The boards in these mostly reactive organizations had a limited role. On financial issues, the board usually worked in partnership with the CEO and had a distinct set of responsibilities, in either policy or practice. From both studies, it can be concluded that boards play a limited role, mostly as trustees rather than entrepreneurs, and are largely risk averse.

Several lines of future research are suggested by this study. In particular, future research should explore the institutional nature of the board's relationship to the organization and its impact on performance. In this study, effectiveness was shown to be a partial function of the board's willingness to get involved in day-to-day technical operations. Institutional theory (DiMaggio and Powell, 1983; Meyer and Rowan, 1977) would lead us to

expect performance to be enhanced by the opposite, the buffering or decoupling of the organization's technical core from operational (as opposed to strategic) board involvement (Herman and Tulipana, 1985; Meyer, Scott, and Deal, 1983). This study's apparently contradictory findings deserve exploration. A more detailed look at which specific day-to-day activities (fundraising? writing of job descriptions?) the respondents were reacting to in the questionnaire may help clarify the board's institutional role. Future research on the board's ability to represent and legitimate the organization's activities would also help illuminate the process by which board activities influence organizational success.

Another avenue that should be explored is consistent with an interpretive or social constructivist perspective (Heimovics and Herman, 1990). If CEOs do perceive a pattern of board behaviors that go together and are also associated with perceived effectiveness, then are these patterns of perception used in influencing stakeholders? The effects of managing meaning on performance and on the role of the CEO are areas of potential study by the case study method.

The possible modifying influence of other variables also needs to be explored. In particular, the composition of the board and environmental and organizational variables need to be examined as possible modifying influences. Perhaps a contingency approach can explain the dynamics.

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