

**NONPROFIT BOARD GOVERNANCE:  
WHAT WE KNOW, WHERE WE SHOULD GO**

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First, let me thank Bob Herman and Dave Renz for inviting me to give a keynote address and thank them also for putting on this second governance conference. Interest in board governance on the part of academics and practitioners has been steadily growing and holding periodic gatherings to assess the state of the field is an extremely good idea for all concerned.

What I am going to do this morning is, first, give you the big picture of where I think the research on board governance in nonprofit organizations is currently. Then I will talk about specific things I believe we “know” from that research, and finally I will turn our attention to where I think this research should go.

**BIG PICTURE**

Scholarly interest in board governance has grown steadily over the last 15+ years. When I did my review of the literature on nonprofit boards, published in 1987 in The Nonprofit Sector: A Research Handbook, it was hard to find empirical work on the subject. Most of the existing work at the time, really from the 1960s to the early 1980s, focused on how boards linked or connected organizations to the wider environment or how boards replicated social class and elite patterns. I think it is fair to say that more recent studies on nonprofit board governance have shifted attention away from these relationships and toward boards as organizational actors. This organization focused work continues to be needed, but I am going to urge us to shift our thinking back toward governance as it relates to the broader environment. Later in this talk, I am going to argue that we should turn our attention to what I perceive as a gap between the literature on Big

Governance issues, which means how we design and conduct public activities, and little governance dealing with board governance issues. Because more and more public policies and hence, public activities, are carried out by nonprofit organizations, our research should broaden its scope to ask questions of how nonprofit governance does or does not address issues of the public interest.

Back to the present. Current work certainly suggests that there is no single model of board governance, no “one size fits all,” and that context matters a lot. What do I mean by “context?” I mean paying attention in our research questions, design and analysis to how board governance is situated in terms of, for example, point of time or stage of an organization’s development, size of the organization, and field of activity or industry it is in (governance in large, health care organizations is not likely to look the same as governance in a small community health nonprofit). Context then includes both organizational and environmental dimensions.

Let me just say a word about personal context. I came to my research interest in board governance from my own experiences as a founding exec of two NPOs and my work on many boards. I experienced all the commonly shared frustrations of both working with boards as an exec and working on boards as a member. While those personal experiences fueled my early research work, I still continue to be intrigued with issues of governance. A colleague once told me that people who study governance are like addicts – they try to quit and may abstain for short periods of time, but pretty soon they are drawn back into the addiction, the work on governance. Just a word of advice to those of you in this endeavor...

But what is so intriguing about governance? First, I think most of us believe that governance matters – it matters to how human, social, financial resources are used to benefit our communities and society. Second, in a more academic sense, governance is fascinating because

there are so many levels or layers to it – for example, boards are small groups with small group dynamics, boards are an opportunity to study larger social or community patterns, or to study power relationships between boards and staff over decision-making functions. So, governance matters and there are endless avenues to pursue to further our understanding of the phenomenon.

Well, what do we know about governance in NPOs? Let me give you a quick trip.

## **WHAT WE KNOW**

My colleague, Francie Ostrower, and I just completed a review of the empirical literature on nonprofit board governance for the new edition of The Nonprofit Sector: A Research Handbook. We concentrated on four areas: 1) board composition; 2) board-staff relationships; 3) board roles and responsibilities; and 4) board effectiveness and its relationship to organizational effectiveness. Let me summarize what I believe we know in each of those areas and where gaps exist.

### **Composition**

- First, it is very important to state that we know more about the composition of larger, more established nonprofit institutions than we do about smaller, community-based nonprofits, and this likely biases our understanding of board composition.
- Having said that, what we know is these nonprofit boards are composed largely of white males from upper middle class or upper class backgrounds. There is increasing diversity on boards but at an uneven pace and diversity varies particularly among field of activity. For example, United Way boards are more racially diverse than hospital boards and these are more diverse than art museum boards.
- So, in this area of study, context is critical. Rikki Abzug's new book, Nonprofit Trusteeship in Different Contexts, says a lot more about this and I recommend it.

- What is missing here? Studies of board composition have attracted attention because it is assumed that who serves on boards makes a difference. However, the relationship between composition and various consequences, such as effectiveness, has not really been established. We need to know more about when, how and why composition matters to governance.

### **Board-Staff Relationships**

- Here, research diverges markedly from practice-oriented literature. For example, beginning in the 1960s and continuing up to the present time, research has shown that there are many different patterns of power relationships between boards and executives, and that these patterns are likely to shift over time. Literature that depicts board-staff relationships as a harmonious partnership paints an overly optimistic view of board-staff relationships in reality.
- I believe we can also say that Bob Herman and Dick Heimovics' research (with colleagues) demonstrates that the role of the CEO in helping boards do their governance work is crucial. CEOs are seen by board members and by themselves as central to helping boards govern.
- What is missing? I believe that Bob and Dick's work and the research on how power shifts between boards and staff indicate that governance, as practiced, often goes beyond the functions, roles, and behavior of the board to include activities of the executive director, top management, and informal groups of individual board members and staff. Governance is a multi-layered concept and more attention should focus on what governance functions are being performed by whom in the organization and how that changes over time.

### **Board Roles and Responsibilities**

- Again, there is a difference between commonly prescribed board responsibilities and what the research tells us boards actually do – or, do not do. For example, in one study,

board members reported that they did not take seriously their responsibilities for either fundraising or monitoring staff activities. This is, obviously, quite different from what are thought to be common board responsibilities.

- Second, there is a gap between what staff expect boards to do and what board members think they should do.
- Taken together, these findings suggest that within nonprofits themselves there are widely varying perspectives and expectations concerning board roles and responsibilities.
- What are research gaps here? This area of research is critical to our understanding of what boards actually do. However, the sheer number of studies is small. Let me suggest two particularly fruitful areas for future research: 1) expansion of Candace Widmer's really "on-the-ground" work concerning how individual board members perceive their board roles and, by extension, the essential functions of the board; and, 2) closer attention to how the funding and institutional environments influence board functions. For example, a small stream of research suggests that large amounts of government contracting dollars flowing to nonprofits change the functions of their boards.

### **Board Effectiveness**

- I address this final area with some trepidation because of the significant work that has been done here by Dave Renz, Bob Herman, and colleagues. It is an area, however, that is clearly important – the study of board effectiveness and its links to organizational performance, speaks directly to whether, how, and why boards make a difference. As such, it is an area of major theoretical and practical importance. So, what do we know?
- First, I believe Dave, Bob, Dick, and colleagues have demonstrated that different stakeholders, including executives, trustees, and funders, hold different judgments concerning what constitutes board effectiveness. Their work underscores the notion that "board effectiveness" is a negotiated and highly contingent concept.

- Second, we believe that board and organizational effectiveness are related to each other in some ways but we do not know how or what the causal direction is – do more effective boards promote higher organizational performance (which is what we might like to think) or is it possible that higher performing organizations are able to attract better board members?
- So, where is research needed here? If we understand that effectiveness is a contingent concept, then this point of view needs to be more fully incorporated into the actual research design of effectiveness studies by taking into account critical aspects of the organizational and environmental contexts, for example, organizational age, size, and aspects of its institutional and funding environment. Additionally, we need data that permit testing of causal relationships, such as survey data compiled over several points in time.

### **WHERE WE SHOULD GO**

Where do we go from here in terms of future research? I have suggested some specific ideas and have also stated that research should pay more attention to the external environment, including, for example, what field of activity or industry the nonprofit is in and what influence particular kinds of funding environments have on governance.

However, I argue that we also need research that fills a different gap and draws a larger picture. We need to connect the literature on the transformation of governance in our society and literature on organizational governance. The connection between the two is crucial because nonprofits play increasingly important roles in implementing public policy, and their governance processes and structures reflect the extent to which nonprofits broadly or narrowly define their public purposes.

What are the Big G Governance concerns? As Les Salamon and many others have shown, under third party government, nongovernmental entities, including nonprofit organizations, private corporations, and complex public-private partnerships, implement public policy through a variety of mechanisms. The concern, then, is that government can no longer “compel compliance” with its policy mandates because it is dealing with policy implementers who are far removed from public authority, over whom government has questionable control, and who may hold only partial views of the public interest. Given this, how can government ensure accountability? Now, while this literature recognizes the role of nonprofit organizations as third parties, it has paid less attention to the implications of nonprofit board governance for these broader concerns.

At the same time, research on nonprofit board governance has not paid much attention to these larger concerns (with some exceptions). Taken in total, existing research portrays nonprofit boards as not very representative of the communities they serve, governance processes as highly idiosyncratic and, more generally, as suffering from a lack of collectively shared norms regarding what constitutes nonprofit governance. The initial implication of these findings may be that nonprofit boards, which are neither publicly elected nor publicly accountable, are unlikely to attend to broader issues of the public interest as part of their governing functions. But we do not know this for certain because we have not asked the question. Parenthetically, I believe part of the concerns being expressed in the media and in policy circles about accountability in the nonprofit sector reflect a growing sense that nonprofits should more explicitly demonstrate their public purposes, not just their private aims. What I propose is that those of us interested in nonprofit governance should begin to ask whether and how these public purposes are expressed.

So, what would an initial research agenda look like? Let me throw out some ideas.

- First, let’s ask the question – Do nonprofit boards and individual board members describe their responsibilities in terms of broader public purposes and action?

- How might this be articulated? Implicitly through, for example, informal conversations among board members or with staff? Explicitly through discussions at board meetings, board actions, or even written materials?
- Second, under what conditions do nonprofit boards engage in public problem-solving?
  - Is there a “public interest moment” that focuses the attention of those in governing roles on bigger issues? Let me give an example. A colleague of mine sits on the board of large church congregation in the Twin Cities. Adjoining the church was an apartment building they owned with 7 units. It was not in good repair and a significant investment would be needed to fix it up. The board decided it was a sound financial decision to demolish it and find alternative housing for the renters. When neighbors learned of the church decision, they were incensed and organized protests, accusing the church of being insensitive to the Twin Cities’ affordable housing crisis. In the end, the church demolished the building but also turned the lot into a “public space” for the neighborhood and continues to work with the neighborhood, advocates, and other local churches on affordable housing issues. The incident has focused the board’s attention on, in my colleague’s words, “moral ownership” issues, asking questions like “we hold the trust of whom?” and “to whom are we accountable?”
- Let’s think about this example for a moment. The board’s initial decision to demolish the building was based on its view of its mission (it is not a landlord) and the financial drain renovation would place on the church. Was its governance thinking “wrong” or was it “too narrow,” which is closer to how the board is now thinking? Does it matter that this example is of a church? Perhaps. Does it matter that the neighborhood “got organized” to push the issue. Probably. The point is that the question of “under what conditions” do nonprofit boards engage in more public problem-solving is very important.

- Finally, what are the consequences for organizational governance of more attention being paid to larger public issues? Are there trade-offs involved in terms of traditional responsibilities and time spent on these larger concerns? For example, did the church board face a trade-off between a prudent financial decision and taking into account its role in a major public issue, affordable housing? Again, the point is we don't know because we haven't asked the question in a systematic way.

## **CONCLUSION**

Let me conclude by saying that I am amazed and pleased to see the growth in research on nonprofit board and organizational governance over the past 15-20 years. We have come a long way since 1987! But I would argue that we need to understand much more deeply the relationship between issues of board governance and larger scale issues of governing in a context in which nonprofits carry so much of the weight. Boards are of enormous importance for those with scholarly, managerial, and public policy interests. Our work will have the greatest impact at the intersection of all levels of governance because that is where some of our greatest challenges are.