

Consent Accountability and Organization Performance:
An Examination of Board Participation Traits and Nonprofit Effectiveness

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ABSTRACT

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The nonprofit sector in the United States has experienced rapid growth in the last decade (Urban Institute, 2009). The work of these 1.7 million organizations is carried out through a network of paid staff and volunteers. Of the 27% of adult Americans who volunteer (Urban Institute, 2009) a small assemblage volunteer to serve on the board of directors. They accept a call to serve as those who volunteer to tutor in an afterschool program, serve food at a homeless shelter, or lead a book club at a senior center. The volunteers who serve as members of nonprofit boards take on fiduciary and statutory responsibility for stewardship of \$4.3 trillion of assets (Urban Institute, 2009) providing services to millions of people. Often, board members come to serve in this capacity with very little experience as a program volunteer and less as a volunteer board member (Brudney & Murray, 1998). They join the organization as a board member with a high level of motivation to serve (Inglis & Cleave, 2006). When people volunteer to serve food, tutor, or mentor they are given an orientation to the task, have a clear understanding of what it is to be successful in

achieving their task, and how their work is linked to achieving the mission of the organization (Ellis, 1996). Research on boards tells us much about what board members should be doing to fulfill their fiduciary and statutory responsibilities (Craver, 2006; Chait, 2005; Herman, 2009; and Ostrower, 2007), but a modest amount of research addresses how board members accomplish these responsibilities and what the antecedents are for their success.

This research asked: is there a relationship between effective participation traits of board members and the effectiveness of nonprofit organizations?

Based on the theoretical model— The Rosener Participation Effectiveness Matrix— a series of focus groups, interviews, observations, and surveys rating the participation effectiveness of ten nonprofit boards (involving 113 volunteers) was conducted. The ratings of these boards were compared to an existing data set which rated the overall effectiveness of these organizations. An analysis of the relationship between the data sets was conducted.

The results of this study indicate a possible relationship between the presence of certain board participation traits and the effectiveness of nonprofit organizations. This research points to the need to expand our thinking about how we rate nonprofit performance. It also contributes to advancing our understanding of the important, often overlooked, and underestimated role of the volunteer boards of nonprofit organizations in the United States.

Table of Contents

Abstract	i
Table of Contents	iii
List of Tables	iv
List of Figures	vi
List of Illustrations	vii
Chapter 1 – Introduction	1
Chapter 2 – Literature Review	10
Chapter 3 – Theoretical Model	69
Chapter 4 – Research Design – Methods	75
Chapter 5 – Results	93
Individual Level	96
Sector Level	137
Chapter 6 – Conclusions	150
Bibliography	160
Exhibits	166
Appendices	184
Curriculum Vitae	197
Notes	202

List of Tables

Table 1	Literature Summary	60
Table 2	Charity Navigator Rating Metrics	79
Table 3	Nonprofit Organizations Invited to Participate	87
Table 4	Study Participants	88
Table 5	Combined Results	95
Table 6	CEO Tenure	98
Table 7	Organization Budget Size	99
Table 8	Core Mission Areas	100
Table 9	Common Core Mission Areas	101
Table 10	Executive Identified Board Responsibilities	102
Table 11	Executive Identified Board Evaluation Process	105
Table 12	Executive Identified Board Impact on Organization	107
Table 13	Board Size and Board Members Participating in the Study	110
Table 14	Organization Whole Number Scores – Charity Navigator, Rosener, Nonprofit Performance Rating	111
Table 15	Rosener Ratings by Organization	113
Table 16	Charity Navigator – Rosener Star Ratings by Organization	133
Table 17	Rosener – Charity Navigator Whole Scores	134
Table 18	Scatter Plot: Charity Navigator/Rosener Participation Scores	135
Table 19	Rosener – Charity Navigator – Nonprofit Performance Whole Scores	136

Table 20	Descriptive Statistics	140
Table 21	Chi-square: Charity Navigator – Rosener Participation Nonprofit Performance Whole Number Ratings Relationship	141
Table 22	Chi-square: Charity Navigator – Rosener Participation – Nonprofit Performance Star Ratings Relationship	141
Table 23	Correlation: Charity Navigator – Rosener Participation – Nonprofit Performance Ratings	142

List of Figures

Figure 1	Rosener Participation Effectiveness Matrix	70
Figure 2	Charity Navigator Assessment Model	79
Figure 3	Nonprofit Performance Paradigms	82

List of Illustrations

Illustration 1	The Nonprofit Sector in the United States	2
Illustration 2	Literature Review Map	44
Illustration 3	Research Logic Model	77

Chapter 1 – Introduction

Public trust in nonprofit organizations is at a record low (Light, 2008) while at the same time corruption and waste (estimated at \$1 billion annually) are at record highs (Light, 2008; Mulligan, 2007; and P. Hearn, Commissioner, NYC DOI, 2009). These realities significantly impact the efficacy level of nonprofit organizations (Light, 2008). If we are to address this condition, we need to first identify who is accountable for reclaiming a higher level of confidence. The accountability rests with the volunteers who serve on the governing boards of these organizations (Hall, 2003; Salamon & Geller, 2005). These voluntary boards of directors shoulder this responsibility. In this regard they have failed to adequately discharge their responsibilities (Block, 2004; Iyer, 2008; Jackson, 2006; and Light, 2008). This research seeks to identify ways to strengthen board performance in order to close this accountability gap.

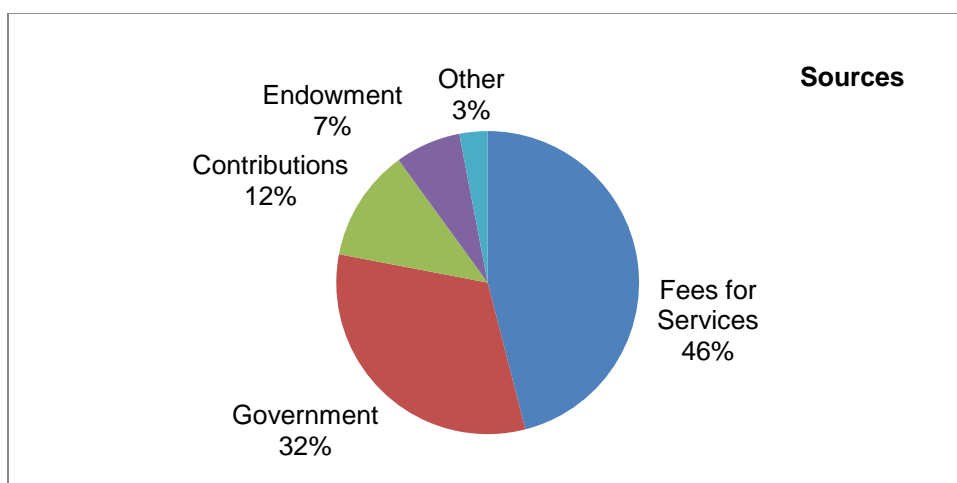
The purpose of this study is to expand our current understanding of board member participation traits¹ that contribute to more effective governance based on the perspective of active board members and executive directors. Board members will be asked to identify their organization's core mission areas and their primary responsibilities as individual board members. These perspectives will be compared to those identified by the executive director. In addition, these self-identified board traits will be linked to those nonprofit organizations ranked as highly effective to those ranked as being less than highly effective.

Background

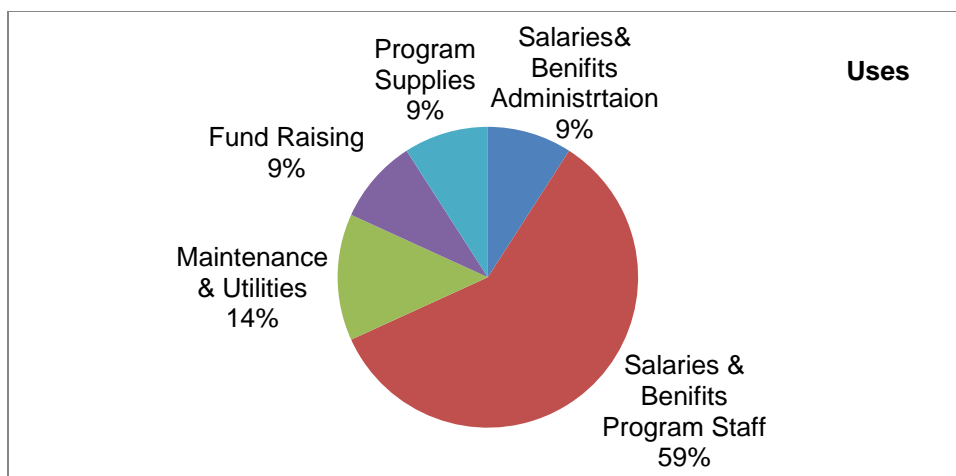
In the United States, the nonprofit sector² is growing at an unprecedented rate. In 2008 the IRS reported more than 1.7M nonprofit organizations. This figure represented a 50% increase from 1998–2008 (Urban Institute, 2009).

The growth in the number of nonprofits however, is stunted by the 125% increase in revenues these organizations produced (from 1999–2008). The \$1.93 trillion in 2008 was generated through three primary sources: private contributions, government funding, and fees for services (payments made by clients). This income provided programs and services to millions of people in the United States. Over 75% of the total income for nonprofits is allocated to the provision of program services with the largest expense allocated to salaries and benefits of the direct service workers. In addition, 10% of the total income to nonprofits is generally spent on program supplies with administration and fundraising expenses ideally at 10% (Illustration 1).

Illustration 1 - the Nonprofit Sector in the United States



Source: Urban Institute, National Center for Charitable Statistics, 2008



Source: P. Hoontis (2012)

The direct expenses for program delivery and administration of these nonprofits, however, do not consume the entire revenues generated. The income generated by nonprofits in the United States also created a profit of \$250 billion for these charities (10% profit). This profit added to the total assets of these organizations, which by 2008, totaled \$4.3 trillion. With total assets of \$4.3 trillion the 1.7 million U.S. nonprofit organizations generated a GDP equal to the GDP of Australia. If the U.S. nonprofit sector were a country it would rank as the 16th largest world economy (World Bank, 2010).

Given the nonprofit sector's rapid expansion, sizeable economic impact, waning public trust, and growing incidents of corruption it is important to consider the effectiveness of the systems in place that are intended to provide oversight of these organizations. Various legislatively mandated authorities and voluntary governance structures along with their allied mechanisms provide nonprofit organizations with internal and external oversight.

These structures have been established to assure the public—an implicit promise—that nonprofit organizations are being operated in the most effective, efficient, equitable, inclusive, representative, safe, and lawful manner. However well intended and expertly executed; have these governance structures been effective given the current desperate realities facing the nonprofit sector? In addition, how do these governance structures impact the overall effectiveness of the nonprofit organization?

To address these questions, we need to first identify what governance structures are ultimately responsible for managing the growth and for improving public trust. The answer to this question is complicated. The structures currently in place providing these sureties are set within four distinct governing bodies. These entities include federal, state, and local governments as well as the nonprofit organization's local voluntary boards (known as the board of directors³).

The specific functions related to each of these entities include: (1) the federal government (sanctioning function), which requires the successful application for and receipt of a 501(c)(3) designation⁴ (as a charity) and the annual completion of the IRS I-990 form⁵; (2) state governments (monitoring function, which grant organization Charters⁶ and mandate the yearly submission of an Annual Report⁷; (3) local governments (licensing function), which compel the maintenance of operating permits⁸ (health, building, and fire safety); and (4) local boards of directors (operating function)⁹.

Of the four entities, the elected voluntary boards of directors have the fiduciary and statutory responsibilities for reporting to and representing the

organizations owners/members, assuring the organization's compliance to legislative requirements of the federal, state, and local governments in which the nonprofit operates, and in supervising the work of the executive.¹⁰ The typical structure of a nonprofit organization includes functions that work with these entities, and include the involvement of citizens, clients, and/or members, and at times advisory committees.

Although these four entities have equally important functions independent of each other, the accountability for coordinating and complying with legislatively mandated licensure, accreditation, and reporting requirements rests with the volunteers who serve on the board of directors of these organizations (Hall, 2003; Salamon & Geller, 2005). The boards of directors shoulder these responsibilities and are ultimately held accountable to federal, state, and local governments for compliance. The current reality of the nonprofit sector with regard to: rapid expansion, economic impact, public trust, waste, and corruption suggest that these boards have been lax and have not demonstrated accountability. These boards, it might be conjectured, have failed to adequately discharge their responsibilities by sanctioning rapid growth while at the same time paying little attention to the loss of public trust and the escalation of corruption (Block, 2004; Iyer, 2008; Jackson, 2006; and Light, 2008). This accountability lapse warrants attention.

Much attention has been given to the topic of good board governance¹¹. The research, however, has limited it's focused to two areas. The first area focuses on effective board governance through the lens of the chief executive

officer. The second area of research focuses on the tangible areas of requisite skill sets of board members: talents, wealth, and connections, often referred to as the three “Ts”: time, talent, and treasurer¹² or three “Ws”: wealth, wallop, and wisdom¹³. There is, however, a dearth of research on the perceptions of board members themselves and on the degree to which consensus of self-perceived and identified responsibilities impacts effectiveness of the board as a whole (regardless of the perceived value of the requisite skill sets). Hence the center of this study is on board members – their perceptions of effectiveness as a board and as an organization.

The Research Question and Study Design

This research seeks to answer the question: Is there a relationship between effective participation traits of board members and the effectiveness of nonprofit organizations?

Scope of Study

The study takes a four-phase, sequential, and a mixed methods approach, which will expand our collective understanding of the role of consensus among board members as to effective board participation traits and the relationship that levels of consensus have on the overall effectiveness of the nonprofit organization.

A review of the current research will be presented in Chapter 2. The topics examined, the questions explored, the methods utilized, and the findings revealed will be discussed. The resulting platform identifies the important

contributions this body of knowledge has made to expand present-day understanding the topic. This review will include an articulation of the major similarities and differences, helping to establish the explanatory power of the current research and why it should be expanded to continue to seek answers to the research question put forward. Chapter 3 identifies and defines the theoretical model through which this study was conducted. This will be followed in Chapter 4 by a presentation of the research design and the methods that were employed. The results of the research conducted are presented in Chapter 5 and is followed by a summary of the conclusions, the limitations of this study, and a proposal for future research in Chapter 6.

The four phased mixed methods study follows a sequential approach in collecting data.

The first phase will be a qualitative exploration of board members' understanding of their roles and responsibilities (board member participation traits).

The second phase will capture similar perceptions from the executive director's perspective.

The results of these first two phases will be compared. These data will be collected from focus group interviews (actively serving board members), elite interviews (executive directors), and surveys (active board members and executives).

The third phase will include observations of board meetings. The participants in the focus groups/surveys will be observed carrying out their duties

as board members in order to validate interview and survey results with actual observed practice. Focus groups, elite interviews, surveys, and observations will be conducted on location of the participating nonprofit organizations.

In the fourth (quantitative) phase, findings from the focus groups, interviews, surveys, and observations will be compared to the corresponding nonprofit organization's independent ratings provided by Charity Navigator¹⁴. Board members' self perceptions of key participation traits will be compared to the effectiveness ratings of the corresponding nonprofit organizations. This relational analysis will be used to ascertain the degree to which there is (1) knowledge of and agreement among board members' and executives on key board responsibilities, (2) the degree to which there is consensus on how the achievement of these responsibilities is ascertained, and (3) the degree to which they believe their effectiveness as a board impacts the effectiveness of the nonprofit organization for which they serve.

This four phased, sequential, and mixed methods approach will help to answer the research question: Is there a relationship between effective participation traits of board members and the effectiveness of nonprofit organizations?

The audiences intended to benefit from the research findings include nonprofit board members, executive directors, students, teachers, and researchers of nonprofit management. By advancing the current knowledge base on board governance from this perspective the research goal: to improve board performance and to relate this enhanced performance to improved effectiveness

of nonprofit organizations will be achieved. The ultimate goal is to have the results of this research elevate levels of satisfaction for all stakeholders: owner, consumers, donors, collaborators, employees, volunteers, and communities.

Chapter 2 - Literature Review

Introduction

This literature review is organized in three sections. These sections include identification, summarization, and analysis of existing research on nonprofit board governance and organizational effectiveness. This review confirms that the majority of existing research on nonprofit governance and organizational effectiveness focuses on two factors: board skills¹⁵ and organization outcomes¹⁶. These sources, however, have serious limitations. The existing literature includes scant testimony directly from active board members regarding their perspective on the degree to which their participation supports the achievement of the organization's goals. Specifically, the literature falls short in two key areas: (1) how the board's performance relates to the achievement of the organization's goals and (2) how the board's performance in this regard is measured. In addition, existing literature does not address the relationship between board governance and nonprofit performance. This review builds a case for the study of the interdependency of each of these factors through the lens of board members. When viewed as interdependent, my research concludes that "consent accountability"¹⁷ is what links board responsibilities to organization performance. Consent accountability is the degree to which the board has consensus with regard to their individual responsibilities and the fulfillment of them. High levels of consent accountability link board performance with organization performance creating higher levels of organization efficacy (see Exhibit 2).

The sources cited (see Table 1) in the literature review include research that has employed interviews, focus groups, literature reviews, and surveys as methods in search for the answer to two important questions: What makes for effective board governance in the nonprofit sector, and what contributes to effective nonprofit organizations? From these sources, the literature review summarizes and evaluates the topics examined, the questions explored, the methods utilized, and the findings of each. The platform generated through this review draws attention to the important contribution this body of scholarly work has made in advancing our knowledge of board effectiveness while identifying opportunities for moving this research agenda forward. The various skills that boards of directors must demonstrate in order to achieve their fiduciary, statutory, and representative responsibilities is the focus of much of the literature. My proposition purports that these responsibilities are anchored in two important participation traits: knowledge and agreement¹⁸ (Rosener, 1978). It is this proposition that I test in my study with the goal of determining the degree to which board members as individuals have knowledge of their responsibilities coupled with the degree to which there is agreement among board members on how they fulfill these responsibilities and whether or not this has a relationship to the overall performance of the organization. I have proposed that board effectiveness is maximized when individual board members identify similar participation traits (knowledge and agreement) and are shared by the board as a collective body (high consensus). This state (high consensus on knowledge of the organization's goals and agreement on how the board's performance is

evaluated) is what I have termed consent accountability (Exhibit 1). Consent accountability is built around the board's knowledge (of mission, goals, and needs) of the organization and their responsibilities (of the statutory and fiduciary responsibilities) coupled with their agreement on how their performance as board members is evaluated. The knowledge trait is what I term accountability and the agreement trait is what I term consent. Consensus is built around the boards' knowledge of the organization and of their responsibilities along with agreement on how their achievement of these responsibilities is assessed. These are the key participation traits identified in Rosener's study (1978).

The degree to which boards are effective in carrying out their responsibilities is dependent upon the presence of consensus around these participation traits. And when evidenced at high levels the performance of the organization is improved. Results provided from the current literature set the foundation for an analysis of how to best manage this relationship: knowledge and agreement. A better understanding of the participation traits that individual board members bring to the boardroom may provide important insights into how these traits interact in maximizing or minimizing the board's effectiveness. Further, this understanding may shed light on the conditions under which these board participation traits are undermined, controlled, or preconditioned. The important questions addressed by this literature include: (1) how do governments impact nonprofit outcomes through funding, taxing, contracting, regulating, monitoring, and networking; (2) what are the responsibilities of boards of directors in overseeing the work of the administration in maintaining relationships

with government and private funders, local communities, constituents, citizens, members, and owners while upholding their legal, statutory, and fiduciary responsibilities; (3) how the management of the organization reflect and influence the board's supervision and the owners expectations; and (4) how do these factors impact the efficacy of nonprofit organizations.

The literature review is organized in four parts. The first section establishes the context. It examines the nonprofit sector in the American economy, board governance, and citizen as owner. The second section provides a summary of the specific literature reviewed, and includes identification of: the topic, question tested, the methods employed, and substantive findings (see Table 1). The third section provides a comparative analysis of the strengths, weakness, similarities, and differences within the body of the literature reviewed. In concluding this review, identification of potential topics to be strengthened by expanding the existing research base are presented and accompanied by a review of the implications these findings may have for nonprofit board governance and nonprofit performance. This concluding section includes a discussion of the proposed research topic and research methods related to enhancing the current knowledge base on nonprofit organizations from the governance, administrative, and owner perspective.

Context Setting

The environment in which nonprofit organizations operate requires an understanding of the economy of the nonprofit sector, its unique governance

process, the role of owners/members, and the unique skills that sector specific nonprofit administrators need to have.

The nonprofit sector, according to the latest report from the Urban Institute's Center on Nonprofit and Philanthropy through its National Center for Charitable Statistics (NCCS), is (as of the end of 2008) a 1.4 trillion dollar operation with close to 10% of the entire U.S. workforce employed in this sector. With over 1.7 million nonprofits in the U.S., this sector engages close to 27% of all adult Americans and 75% of all American households as volunteer mentors, tutors, aides, fundraisers, or board members. The nonprofit sector has grown in number by 27% in the past ten years with a growth in total asset of 126% during the same time period (1995 – 2005). Revenues from governmental sources account for close to 30% of all income and private contributions total 13%. One half of all income for nonprofit organizations in the U.S. is derived from private and public funders. Fees for services provide the other half of all revenue.

Nonprofit boards of directors are faced with fiduciary and statutory responsibilities, being responsive to and representative of its owners (members), and supporting as well as supervising the administrator (see Exhibit 1). Governing within and through these three relationships (authorities, owners, and administrators) begins to define the complex nature of the board's role.

This provides a very clear picture as to the importance of governance within this sector and the significant role that the volunteer boards of directors have in responding to and in relating to these constituents. And as is very much

the case, this work is accomplished through a paid professional staff under the direction of a CEO (the administrator) who reports to the board¹⁹.

The third group: owners/members; delegate their power to these voluntary boards with the expectation that they will provide the best oversight and representation of their (the owner's) interests.

The myriad of relationships and fiscal responsibilities that the board of directors of nonprofit organizations must maintain is the focus this literature review. The seventy-four articles and textbooks provide the foundation for the resulting analysis of how to best manage these relationships. Further, if these relationships: authorities – administrator – owner, are left unattended, they often lead to disastrous outcomes. Outcomes that deprive communities of much needed human services, low public trust, waste, and corruption.

The important questions addressed by this literature review include: how do governments impact nonprofit outcomes through funding, tax and oversight legislation, contracting, regulating, and networking; what are the responsibilities of boards of directors in overseeing the work of the administration, in maintaining relationships with government and private funder's, local communities, constituents, citizens, members, and owners while upholding their legal, statutory, and fiduciary responsibilities; how does the administrators management of the organization reflect the board's supervision and the owners expectations, and how does this impact the efficacy of nonprofit organizations?

This literature review suggests a strategy for future study with regard to the establishment of best practices in the area of board governance working from the shared insights, similarities, and differences.

Overview

The sources cited are summarized below. They are analyzed based on topic, question, methods, findings, and contribution. This is presented in a synopsis format organized around the three main categories: Board Performance, Organization Performance, and Board Performance - Organization Effectiveness in Table 1.

Alexander, Brudney, and Yang (2010) discuss the results from a symposium conducted with practitioners and researchers as they sought to explore the impact contracting out of government service has had on 'hallowing out' the bureaucratic state. The work of Milward, Provan, & Else stimulated this discussion as did the new public management faction. They find that too many stakeholders complicate the board's ability to govern and to evaluate outcomes. This multiple stakeholders' environment also forces a shift in the priorities on the nonprofits and at times forces nonprofits to rely too heavily on private sector models.

Alexander & Lee (2006) sought to prove that as the focus on nonprofit performance outcomes had increased so had the demand for more strenuous governance practices. The question as to what is good governance and how the application of the private sector corporate governance model may or may not

improve performance. The impact of Sarbanes-Oxley is also analyzed. A survey of CEOs results in the establishment of five indicators for good governance:

Blackwood, Wing, & Pollak (2008) compiled the annual nonprofit sector trends report related to revenue growth, contributions, and volunteering based on the 2007 IRS 990 filings of U.S. 501(c)(3). This Urban Institute sponsored report is conducted through the National Center for Nonprofit Charities. The findings indicate not only a dramatic growth in the nonprofit sector as important to the American economy. The growth in government funding and contributions are also significant.

Block (2004) identifies seven reasons why nonprofits fail. Through the use of cases studies the text analyzes the reasons why nonprofit boards and managers hold onto practices that are no longer effective in producing the needed outcomes in today's nonprofit sector environment. Block provides a framework for analyzing practices, identifying weakness, and establishing corrective action plans.

Board Leadership (2001) editor John Carver contends that while corporate executives bring value to the nonprofits boards for which they serve, they must balance their profit making thinking with their profit making actions when adapting to the nonprofit board setting. Rather than attempting to directly apply their profit driven skills, corporate board members will serve the nonprofit board more effectively by applying their experience

Boris (2006) and her colleagues in this anthology of twelve articles explore the complex and often divisive relationship that nonprofits and governments

maintain as they attempt to serve human needs on a national and international level. The volume addresses the government's role in the nonprofit sector through tax policies, financing, grants and contracts, and regulations; and how these policies impact philanthropic giving. While not explicitly addressed in any one article, the principal-agent theory in relationship to governance of the nonprofit sector is both apparent as a complicating factor in the governance of nonprofits and also in the government's role on a federal, state, and city level. It is concluded by these twelve exposés that the growth of the independent sector has been unprecedented during the past decade (a quarter of a million new charities exist today than did in 1999) and question what, if any, has changed in the government's funding and oversight of this rapidly expanding, understudied sector. The compilation of articles calls the reader's attention to the changes in tax policies over the last decade that has both helped and hindered charitable giving and has impacted the financial success of nonprofits. The volume addresses the uneven and unequal degree to which States regulate and oversee nonprofits particularly in relation to governance and fundraising. While no specific single focused recommendation is rendered by this volume in total, one can conclude that the exponential growth of nonprofits and the reliance that governments have on this sector for delivering public services calls for more coordinated study in order to address: 1) the delivery of a more consistent set of oversight principles between states and within the federal government (Sarbanes-Oxley), and 2) the need to enhance private individual contributions

through more effective tax incentives and policies to offset dwindling direct government financial support.

Bradley & Millesen (2008) examine the differences between CEO perceptions and Board members' perceptions of role ambiguity and how the disconnect can lead to board dysfunction and disengagement. The authors base their findings on survey results and recommend methods for resolving the tensions derived from this conflict.

Brown (2005) explores the relationship between boards of directors' performance and that of the organization. Utilizing Chait, Holland, and Taylor's six dimensions of board effectiveness (contextual, analytical, educational, political, strategic, and interpersonal); Brown surveys over 500 nonprofit board members and executives with a focus on whether or not the theories of agency, resource dependency, or group decision making impact the degree to which nonprofits operate successfully (level of public support, financial performance, net revenue generation, fundraising efficiency as the dependent variables along with board size, frequency of meetings, and number of staff as the control variables). The conclusions based on the findings suggest three important considerations; (1) each theory plays an important role in the successful performance of nonprofit organizations, (2) board members ranked their performance higher than executives, and finally (3) the key to organizational performance was noted as the boards' ability to be strategic thinkers.

Brudney & Nobbie (2002) through a structured survey of over ninety trainers who graduated from the Carver school of nonprofit governance and

whether or not twelve years latter (1990-2002) the Carver Governance Model has been effectively implemented by the nonprofit boards who have participated in the training. The findings indicate acceptance of the model is high implementation is low. This dichromatic result leaves many unanswered questions.

Brudney & Murray (1998) survey 3100 nonprofit organizations in Canada to determine whether or not efforts to improve board performance are effective. The results are a bit alarming. Good intentions did not always lead to good results as indicated in the moderate level of change in board performance and the degree to which those boards that had changed sustained the changes. Anecdotally, the motivators for addressing changes in board performance and ultimately addressed in the change plan where more sustainable than those not of a major concern to the CEO.

Caers (2006) and colleagues examine the principal-agent relationship in nonprofit organizations through the lens of agency theory and stewardship theory. While many organizational development scholars believe these two theories to be exclusive; the authors of this article offer a different perspective. The application of each theory in understanding the nonprofit principal-agent relationship is examined through two principal-agent relationships rather than one; board – executive and the executive – staff. The resulting proposal calls for a matrix analysis of the nonprofit principal-agent relationships using a stewardship – agency continuum when defining the relationships and in predicting/controlling performance in each. The hypothesis presented argues the

effectiveness of the use of this continuum (axis) as uniquely applicable in the study of the nonprofit sector. The article calls for more empirical studies to be conducted on this topic.

Carman (2009) addresses the impact that funding sources have on nonprofit reporting and performance evaluations. She hypothesizes and proves through a mixed methods study of thirty-one nonprofit organizations and ten funders how complicated and diluted performance measurements become when multi-funding sources are involved in a single nonprofit organization. This study exposes the realities of accountability.

Carver (2006) in *Boards that make a difference* presents his vision for transforming good nonprofit boards into great nonprofit boards. As visions are somewhat unattainable, Carver addresses this by presenting a step-by-step plan for taking a board to a new level of performance. This third edition presents a values and place based management model which creates an environment for improved performance and enhanced accountability. This rather prescriptive narrative is balanced with recognition of the realities of the executive management/policy volunteer tension created by this relationship.

Carver (2006) writing in *Board Leadership* contends that to draw best practices from the private sector corporate governance models and applying them to the nonprofit sector boardroom is a recipe for disaster. The only lessons nonprofit boards can learn from the profit sector governance model are what not to do.

Chait, Ryan, & Taylor (2005) outlined three models for governance that challenges contemporary thinking on the role of board members. This challenge and the resulting models focus more on leading, planning, and managing rather than on policy development and monitoring. Implementation to drive success and performance improvements has yet to be reconciled with the model presented.

Director Notes (2010) produced in collaboration with the Conference Board Governance and Corporate Citizenship & Sustainability Centers and the Research Working Group on Governance & Sustainability Integration concluded in this report that when boards are charged with monitoring corporate sustainability initiatives they rarely seek outside consultation in an effort to augment statutory oversight responsibilities. Given this studies limited focus (sustainability projects) and sample size (50 U.S. corporations), the conclusions are revealing. They reflect a tendency of governing boards to avoid acknowledging governance limitations by seeking outside expert intervention in employing this strategy increases their liability and exposure.

Donaldson & Davis (1991) compare through an empirical study of over 300 U.S. corporations the authors compared the impact agency theory and stewardship theory models of governance had on shareholder returns. The findings indicated corporations that followed a stewardship model (a President who assumes the role of Chairman and CEO [dual responsibility]) produced greater shareholder returns than those corporations employing an agency theory model based on the separation of power between CEO/President and Chairman of the board.

Drucker (1990) in this guide to successfully managing a nonprofit organizations establishes five mandates for executives: making mission achievement a priority, identifying performance strategies to achieve the mission, defining performance measures, building relationships, and developing personal, executive, and leadership skills. Drucker concedes that the nonprofit sector (as was forty years ago) is no longer an insignificant American institution, but rather a major provider of social services and central to maintaining the social safety net often considered the government's responsibility.

Ebener & O'Connell (2010) identify three leadership traits that drive organizational citizenship and organizational effectiveness in a case study of three Catholic parishes. These traits include: invitation (members are invited to help by the servant leader – The Voice), inspiration (servant leader demonstrate a natural ability to motivate people – The Spirit), and affection (an ability demonstrate the value of caring – The Heart). In addition two leadership traits were identified: culture building and structural initiatives the authors suggest servant leaders demonstrated in developing organizational citizenship. This article impacts our discussion of executive leadership and the management of the board of directors in offering an example of servant leadership as a key to participation and effectiveness of the board from a volunteer perspective.

Eisenhardt (1989) considers the opportunities and the danger associated with the use of agency theory in assessing organizational effectiveness and proposes questions for future research. She contends that agency theory is a useful model when considered within the context of organizational theory that

she distinguishes as either positivist or as principal-agent. By exploring the limits inherent within agency theory with regard to human behavior, organizational structure, information asymmetry, contracting mechanisms, and board-management goal alignment, Eisenhardt expands our appreciation of organizational theory when examining organization effectiveness. She concludes that blending organizational theory with agency theory is the most productive when examining organizational effectiveness.

Fama (1980) through literature review and case studies proposes that agency theory as applied to the firm provides for the necessary separation of power and therefore enhances outputs and production. Based on contractual theory and economic incentives, Fama further purports that this model reduces shirking and outright malfeasance.

Fletcher (1992) examines the role of the executive director in shaping board makeup, determining board roles and responsibilities, and controlling information. Studying a sample of 200 Health and Human Service organizations, Fletcher utilizing a “good board” model interviewed the agency executives and determined what executive factors influenced “good” board v. “bad” board performance.

Gelatt (1992) notes that as the turn of the century approach the first sector (private) and the second sector (government) are paying more attention to and acknowledging the third sector (nonprofit) as a viable player in the American economy. Once considered ineffective and unprofessional “do gooders”, nonprofit executives must fulfill task similar to those who manage in the for-profit

sector. While the tasks may be similar, the sectors are fundamentally different and therefore require a set of management skills unique to this sector. The importance of mission, working with volunteers, involving the board in the right areas, managing and motivating a staff, and communicating with members and the community are the areas of focus in this text.

Gill, Flynn, & Reissing (2005) present a tool which board members can use to conduct a self-assessment. The 144-item survey focuses on twelve major areas of board governance. The authors contend that when boards assess themselves there is an opportunity to not only heightening individual board member awareness of their responsibilities but also helps to improve transparency and public trust.

Gowdy, Hildebrand, LaPiana, & Campos (2009) in their report – “Convergence” funded by the James Irvine Foundation identify five forces that will reshape nonprofit organizations in this century. The researches contend that these five “converging” trends as identified through literature review and case studies will dramatically alter the social sector. In its seventh annual report on board governance trends include: the blurring of sector boundaries, demographic shifts, advances in technology, the growth of networks, and increased participation in volunteering and civic involvement. The question that remains unanswered is how will this impact performance outcomes, governance, and administrative leadership.

Grant Thornton (2009) reports on the results of their seventh annual report on board governance highlight five ‘hot button’ issues CEOs representing over

460 nonprofits agree are the most pressing for their organizations. These include: declining revenues, increased focus on governance and transparency, redrafting of strategic plans, heightened levels of interest in executive compensation, and dramatic decreases in the market values of investments. These forces have forced nonprofits to reevaluate program priorities and modify roles of boards and stakeholders in monitoring and influencing performance metrics.

Green, Madjidi, Dudley, & Gehlen (2001) sought to establish a correlation between organizational performance and board performance by surveying a national nonprofit organization with twenty affiliates throughout the U.S. The study's findings support a correlation between the performance of the board and the organization's outcomes. Several factors were identified that evidence significant differences between what board members perceive to be their responsibilities and those that the CEO group identified. While this tension exists there was no evidence that this impacted the organizations outcomes as measured by both internal and external metrics. This study leaves a significant question: how can we close the gap between what boards identify as important job functions and those identified by management and how can we more fully engage board members.

Gunby (2009) considers strategic management processes and the qualitative nature of it. The study confirms that a multi-dimensional approach to strategy building yields a greater return on investment than single focused strategies. This research highlights the importance of expanding our construction

of performance metrics for nonprofits from a single focus on financial results to a multi-level performance matrix platform.

Guo (2007) based on a random sample survey of 395 Los Angeles; CA. based (urban) nonprofit organizations captured significant factors impacting board governance behaviors when governmental funding occupies a major percentage of the organization's revenue base. Governance patterns were constructed and employed as the typology through which to view this relationship; board behavior as influenced by government funding dependency. It is clear that as dependency on government funding grows so does the typology of the board and the governance mechanisms utilized by the board. As nonprofits become more diversified in their revenue base, the results of this study could prove beneficial in anticipating and in adapting to the changes in funding sources in a more proactive rather than reactive manner thus improving organization outcomes and overall performance.

Hall & Kennedy (2008) identify eight key factors that determine nonprofit effectiveness. Based on a survey of 591 (18% response rate) executive directors of community based organizations receiving grants from the government the authors identified the following traits: clarity of mission, legal compliance, boards of directors, personnel management, strategic planning, fiscal health, and networks.

Hall (2003) creates an extensive chronology of the evolution of the nonprofit sector in the United States. His work focuses on the changing role of the board of directors. Specific to this topic is the representative nature of the

board and its statutory and fiduciary responsibilities as an integral part of the evolution of the nonprofit sector.

Herman (2009) uses a random sample of nonprofit executives to determine whether or not nonprofit boards are meeting their responsibilities. The highest ratings were in the following categories; accountability standards (SOX), board performance standards, and board diversity. Lowest ratings included; fundraising, program monitoring, community relations, and public advocacy. Herman noted that boards are “older” (average age 50-65); many board members conduct business with the nonprofit (at 74% market values rates – suggesting a discount of 25%). He argues that board members degree of “ownership” originates more from prestige of being a member of a charity’s board rather than from the performance of the organization.

Holzer (1992) in this first edition of an anthology of productivity management movement in the United States provides the foundation for the study of performance management relative to key stakeholder involvement, administrator’s role, and the evolution of the movement.

Holzer & Kloby (2005) offer a literature on the state-of-the art of public performance measurement in the United States with a focus on models inclusive of citizen participation. They conclude citizen participation adds value to performance measurement systems but requires training for employees who are charged with working with citizens. While all can agree that what citizens want to be measured should be what administrators’ measure; this logic model is not always the easiest to be operationalized.

Immerwahr, Johnson, & Gasbarra (2008) interviewed twenty-four college presidents representing a cross section of private and public sector and various sizes. The interviews, in the collective, four factors influencing decision making on the college level: the changing student body from homogeneous to heterogeneous, increased costs, increased competition in the form of “mission creep”, and the demand from internal and external stakeholders for more accountability. In addition to these collective concerns, some unexpected insights were also recorded. While the interviewers expected thoughtful and engaged conversation they expected less of a commonality of concerns and a need for a directed approach to the interviews; this was not the case. The disquiet of cost, access and governance/quality were overwhelming the shared concerns leading the researches to construct their understanding of the trepidation as the “Iron triangle” and suggest that this construct be further developed in a broader application to the nonprofit sector as the 21st century social sector Iron Triangle: accountability, performance, inclusion.

Inglis and Cleave (2006) surveying 220 board members representing 58 nonprofit human service organizations in Canada concluded that the presents of characteristics representing board member motives for joining the board do not correlate in any significant way to improved board effectiveness. The researchers identified, through a literature review thirty-four reasons why people join nonprofit boards. They further identified six overarching motivators: enhance self-worth, learning through community, helping the community, developing relationships, unique contribution, and self-healing. This study is helpful from a perspective of

recruitment of board members; however, it is limited in applicability to forecasting effectiveness.

Iyer & Watkins (2008) survey 215 CEOs of nonprofit organizations in order to determine what impacts the degree to which nonprofits adopt SOX measures. With a 36% response rate the authors findings include that the following factors influence the degree to which SOX measures are adopted: the size of the organization (budget), size of the board (more members more SOX measures), independence of the board, internal audits, and independent audits.

Jackson & Fogarty (2006) The SOX (Sarbanes-Oxley) Act of 2002 was enacted in response to the massive mismanagement of publicly traded companies (Enron, WorldCom, and Adelphia Communication). However, growing mistrust of nonprofits as evidenced in the scandals of the United Way and the Red Cross also called for increased accountability. Signed into law by president George W. Bush on July 30, 2002, The Public Company Accounting Reform and Investor Protection Act of 2002 includes eleven titles and sixty-seven sections. Only two provisions apply to nonprofits: Whistleblower Protection and Document preservation Policy. California's Nonprofit Integrity Act of 2004 requires many of the SOX provisions, including external audits, public disclosure of audited financial statements and board review and approval of CEO compensation.

Jegers (2009) uses a literature review approach in studying nonprofit governance problems. Through a principal-agent theoretical framework and using an economic model Jegers suggests that having managers on the board increase governance problems while having donors on the board improves

governance. The economic practices noted by Jegers that boards utilize to mitigate conflict between management and the board includes: incentive based compensation, use of debt, and disclosure of financial audits.

Kelley & Anderson (2006) in the CPA Journal article note that with increase pressure from Senate oversight committees on the federal level and attorney generals at the state level, nonprofits will be forced to compile to a greater level of reporting and auditing in the very near future. The authors suggest that opportunities for CPAs await this change and focus on board governance as a main issue: the duty of care, of loyalty, and obedience are highlighted as the areas of focus under the law and if not upheld by nonprofit boards, these boards maybe held personally liable.

Kim & Lee (2010) present empirical evidence that identifies the impact competing priorities have on employee accountability measurements. A survey of 451 nonprofit employees was conducted. The findings suggest that when there is a perceived high workload, perceived performance is low. This study concludes that when there are competing performance demands, nonprofit professionals will compromise professional accountabilities for compliance and political accountability severely impacting perceived work performance.

Knauff, Berger, & Gray (1991) writing on behalf of the Independent Sector (a coalition) of 750 organizations with a shared interest in the voluntary sector founded in 1980 bringing together for the first time foundation leaders and grant recipients) the authors sought to define “great” nonprofit organizations. Through a series of focus groups, interviews, and surveys involving nonprofit CEOs and

Board Chairs four key and defining characteristics that contribute to great charities were identified. One of the four is defined as a “committed and involved voluntary board”. This is one of very few works that link nonprofit performance to the performance of the board.

Krauskopf, Blum, Litwin, & Hughes (2008) in this 4th annual survey of nonprofit executive directors in New York City found three common themes. These included an agreement that demand and costs were increasing while funding was diminishing. The executives called on governments to consider a progressive tax in order to funds programs and services for the most vulnerable. This 2008 suggests a triangulation of the nonprofit sector due to increasing economic distress (funding), the diversification of demand (client base), and resulting in more scrutiny on expenditures (governance).

Light (2008), a nonresident senior fellow with the Brookings Institution reports on the level of confidence Americans have of charities. This 2008 report indicates no improvement in levels of confidence since 2003, when confidence in U.S. charities was at a ten year low (34% confidence). Light contends that this low level of confidence is due, in large part, to the record number of nonprofit and government corruption cases that have exposed malfeasance in the public and private sector provoked by greed of its leaders and ineffective board oversight. Light calls for a three interventions: better oversight, demonstrate outcomes to goals, and promote mission. An action plan that addresses three endemic issues within the private sector: performance, governance, and relevancy.

Miller (2002) finds in her study of twelve nonprofit boards based on observations and interviews, that while boards have a responsibility for monitoring performance of the organization and its executives; they know little about monitoring functions and underperform in this area due to a number of factors. Two factors impact this finding: the relationship board members have with the CEO and the structure of the board. Miller suggests that this situation will change when board members understand their responsibility in controlling the agency and their ownership responsibilities. This is a challenge. Member participation on a board is more often than not motivated by trust and respect for the organization and its leaders and out of a desire to help the community. These motives run counter to ownership and control factors that are endemic to the agency theory of organizations. Boards need to confront these often-viewed divergent roles to improve effective board monitoring.

Miller-Millesen (2003) explores agency, resource dependency, and institutional theory in deepening our understanding of board behavior in the nonprofit sector. Her analysis concludes that boards adapt to the environment in which the organization finds itself operating and therefore board composition and board behavior changes over time as it adapts to these environmental conditions. Assessing board effectiveness, therefore, must be conducted based on the organizational needs (priorities) for which board members were recruited to address. The underlying message is that the three theories: resource dependency, agency, and organizational must each be applied given the circumstances under which board members have been expected to operate.

Moore and Ryan (2006) in this working paper highlight goals for an upcoming symposium on nonprofit governance and accountability. In their review of current literature the authors have identified improving board performance and accountability as the key strategy for restoring public confidence in nonprofits. Citing the high level of waste (it is estimated that nonprofits wasted 100 billion dollars of public funds due to inefficiencies. Added to this the hundreds of recently reported criminal cases filed against staff and boards of nonprofits, the issue of board accountability is now at the forefront of the nonprofit governance discussion.

Mordaunt & Cornforth (2004) report on their findings on what makes for successful board action when addressing organization failure. They present four case studies of nonprofit organizations in the United Kingdom. Increases in the prevalence of corruption within the private and the nonprofit sector and the resulting failure of these organizations, the authors seek to identify the root causes of these failures and to isolate the key factors influencing successful turnaround efforts. In identifying the causes for failure one can extrapolate that which contributes to organizational success from the board perspective. These key factors are: board and executive capacity, board's ability to be more 'hands on', the importance of recognizing the convergence of internal and external factors, board time spent on 'thinking', and board members capacity to demonstrate 'emotional' resilience. This 2004 study informs scholars and researchers of nonprofit organization performance what the best practices in the boardroom should be.

Moxham (2010), based on research of nonprofit organizations in the UK, concludes that current performance measurements for nonprofits are inadequate. This inadequacy is based on the findings that indicate that current practices rely exclusively on financial performance metrics and funder related indices. Impact and outcomes were found to be ill defined and not given to either specific definition nor measured. This lack of in depth performance measurement beyond the financial level raises major concerns about the ability of nonprofit organizations to demonstrate achievement of mission and level of accountability to it.

Moxham (2009) addresses the lack of performance measurement systems in the nonprofit sector. This research concludes that performance measurement systems currently being employed by the private and public sector are applicable to the nonprofit sector and should be considered as relevant.

Mulligan (2007) presents three compelling arguments why SOX (Sarbanes-Oxley Act of 2002) will be ineffective. In this Michigan University Law review article, Mulligan addresses these issues through a theoretical analysis of the law and the realities of nonprofit organizations. In his first argument, Mulligan points to the 'knee jerk' reaction legislative bodies very often have when dealing with a crisis. He points to the basic difference between nonprofits and profit organizations based on the distribution of profits. Nonprofit organizations return profits to the organization while profit corporations return profits to stockholders. In the second point he addresses the issue of enforcement. The law is not backed by any additional enforcement mechanism and therefore lacks the punitive repercussion for lack of compliance. And in the third, stakeholders are a

different from stockholders. Stockholders embody a more selfish interest in the success and the transparency of the profit corporation; stakeholders are more interested in mission achievement. These three factors leave SOX virtually immobile. The author does contend, however, that SOX has forced the public to look at nonprofits in a more serious manner and foresees greater scrutiny of this sector.

Nezhina & Brudney (2007) selected (a random sample) 200 nonprofit organizations and studied the degree to which SOX legislation stimulated compliance. The study concludes that SOX legislations did not in the majority of respondents, stimulate voluntary compliance. The study revealed that pre-SOX compliance levels were more likely to be in place in the nonprofits responding that they did not take action post-SOX. The study concluded that the major factors influencing pre-SOX compliance were pro-active boards and well informed CEOs

Nobbie & Brudney (2003) conducted a comprehensive empirical review of governance practices and nonprofit effectiveness. The study concludes demands from internal and external stakeholders for increase accountability on nonprofits have changed dramatically; however, governance practices have not (Ryan 1999). Nonprofit organizations practicing new governance models were randomly sampled and compared to those nonprofits that used a more traditional governance model. The findings relative to overall performance indicated that as board governance practices improved so did organizational performance.

Ostrower (2007) conducted this first national representative study involving 5,000 nonprofit organizations. She sought to define the role and responsibility of the boards of directors in shaping public policy. The survey involved only CEOs and therefore provides limited insight into what board members perceive to be their role in shaping public policy, but nonetheless, an important contribution to our study of governance.

Pointer & Orlikoff (2002) discuss nonprofit board governance practices from a practice-oriented perspective. Sixty-four principles for high performing boards are discussed. A board model is presented as well as a series of assessment tools for ongoing evaluation and improvement strategies. The mapping provided in this text includes the areas of board as overseers, decision makers, and policy formulators.

Preston & Brown (2004) examined the relationship between affective (emotional), normative (obligation), and continuance (cost) commitment to board member effectiveness resulting from surveying 267 board members and 28 executive directors. The results, supported from both executive and board member surveys confirmed that when there is evidence of affective commitment, board members perform at a higher level. The study however limited the definition of positive board member performance to meeting attendance, engagement, and willingness to help. These limitations prevent the application of these results to overall organizational performance.

Purcell & Hawtin (2010) created and tested a model for peer review as a method for diagnosing organizational performance shortfalls and to prescribe

action for improvement. The findings pointed to the effectiveness of the peer review only when appropriate training for reviewers and host organizations is diligently conducted, when goals and objectives are clearly stated at the onset of the review, and when review teams are match within skill sets equivalent in status to the host organization. This study suggests an alternate to or as an augmentation of existing methods for evaluating organizational performance.

Rosener (1978) presents an evaluation research methods approach for measuring the effectiveness of citizen participation in making decisions (volunteer boards). Utilizing Thompson's model for analyzing organizational effectiveness, Rosener applies the variables of Knowledge of Cause and Effective and Goal Achievement (the volunteers' perspective) to the Level of Agreement on program Goals and the measures used to assess Achievement of them. She concludes that when there is clear understanding of the roles of the board members and clear understanding of the goals for which they are charged with achieving aligned with clear measures, participation effectiveness is maximized.

Saidel (1991) addresses the growing importance of the public and nonprofit dependency in delivering human services through a resource dependence model. This empirical study of four service areas in which both nonprofit and State Government deliver similar services, Saidel finds that the nonprofit service providers are not at the periphery of the service delivery system but at the center of it. This research adds to the importance of board governance and the efficacy of nonprofit organizations when considering the source of

funding and the impact nonprofit service delivery has on achieving government sponsored programs.

Saidel and Harlan (1998) note strong executive leadership well connected board members and strong political associations as the key to successful distributive governance for nonprofits with high levels of government revenues. The most important contribution this research makes is in identifying the key role executives play in managing board relations and in assuring that boards carry out their statutory responsibilities.

Salamon & Geller (2005) in a response to a 2004 U.S. Senate Finance Committee white paper on nonprofit performance concludes governance as the root cause of the majority of nonprofit performance issue. The committee suggested that nonprofit boards are failing in the performance of their governance responsibilities. The authors launched a nation-wide survey of randomly sampled nonprofit organizations and set out to better understand what mechanisms boards were utilizing in governance. The results of this research indicated that the majority of nonprofit boards surveyed indicted engagement in governance on a number of levels: strategic functions, financial reviews, ethics, employing best practices, seeking organizational change, and awareness of nonprofit laws. The study team, however, remains doubtful if there is or can be an agreed upon definition as what constitutes “good governance” practices among and between nonprofit boards, CEOs, and internal/external stakeholders.

Siebart (2005) examines the relationship between the board and the executive director of nonprofit organizations from a group and motivational theory

perspective. She concludes that the impact of trust and unity among board members delivers the highest quality of decision making from the board and best results from the executive director.

Smith (2008) focuses on the 1993 Winter Commission report and suggests that the issues identified in this report remain vital to governance, policy process, and service delivery in the nonprofit sector. He suggests that despite the revolutionary changes in the public sector's relationship with the nonprofit sector issues regarding training, education, transparency, performance, and improved citizen engagement remain as critical to the success of the nonprofit service delivery process.

Smith and Lipsky (1993) detail and analyze the growth of government contracting with the nonprofit sector in the provision of government services. The impact that this political shift has had on the economy and governance of the nonprofit organization is the centerpiece of this work. They conclude this text by offering some observations on the use of contracting out of government services as a political gamble and whether or not this shift in funding has increased or decreased the value of citizen participation leading these authors to promoting a "balanced theory" approach when considering this relationship.

Stephens, Dawley, & Stephens (2004) set out to define the difference between what motivates nonprofit volunteers and staff to commit to the organization they serve. The writers construct a model for determining board members levels of commitment by combining existing research in employee commitment with good governance practices from the private sector. The

resulting model using a web-based board member survey of all members of U.S. Chambers of Commerce were invited to participate with over 600 hundred responding. The results indicated service, resource dependency, and control levels of board members were directly related to the level of affective and normative commitment the board member displayed. These results further the discussion on board member motivation and performance and governance.

Stone & Ostrower (2007) combine their knowledge base on nonprofit governance and public sector governance (University of Michigan and the Urban Institute) to create a platform for considering governance practices and theory from a combined theoretical and empirical learning base. They produce a compelling argument for this review given the reality of a more fluid relationship between the public and the nonprofit sector in the areas of funding, service provision, and goals. This reality forces a more inclusive approach to both our empirical and theoretical understanding of governance from multi-stakeholder perspective. In concluding an exhausted review and comparative analysis of the past 20 years of research on public and nonprofit governance the researchers call for the development of a third- party government governance model which focuses on the degree to which nonprofit boards incorporate public interest and the principles of democratic decision making into their governance practices.

Toma (1986) examines the relationship between States and the trustees of State Universities. He contends that the role of the State as the principal and the Trustees as the agent has changed. This change has occurred due to the expansion of the number of universities within a single State and the resulting

establishment of a “systems” approach to governing State Universities. This shift has changed the principal-agent relationship of State-to-Trustees to a Trustee-to-President relationship thus giving the president of the individual institution much more control and autonomy. This leaves the local university board of trustees with little to no control. Internal structure, it is concluded, is impacted by external factors leading to varying degrees of outputs based on the constraints of the principal-agent relationship.

The Urban Institute (2009) announces the publication of a new book: *Nonprofits and Business* (Cordes & Steurele 2009) which draws upon the work of eleven scholars who examine the changing roles of government, corporate, and nonprofit organizations as they work together in delivering human services. These scholars all agree on the blurring of the boundaries and the ‘cross pollination’ between these sectors and consider the benefits and the liabilities inherit in these new relationships.

Van Slyke (2007) presents the findings of his interviews with nonprofit managers and public administrators in attempting to bring greater understanding to the relational dynamics between the public sector and the nonprofit sector when contracting for the delivery of human services. He applies both the principal-agent and principal-steward perspectives to this study. The author contends that contextual and environment conditions determine the relationship between the public administrator and the nonprofit contractor as one of either agent or steward. Furthermore, this initial relationship can move in either direction based upon the degree to which the contracting nonprofit delivers on

the contract. This study highlights the complicated and challenging environment in which public administrators must manage and the skills that are needed to manage given these realities.

Weisman (1998) compiles ten essays written by practitioners and consultants in the field of nonprofit board governance. These essays address the importance of passion for the mission, fundraising, job descriptions, meeting management, structure, legal issues, executive-board relationship, volunteer recruitment, and the use of the Internet and governance.

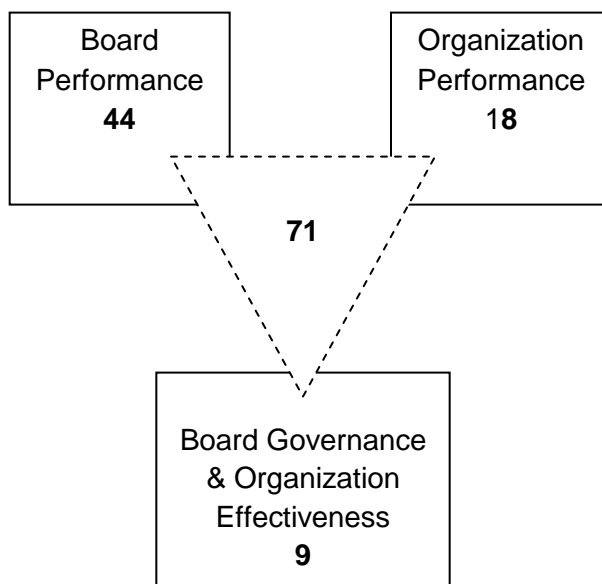
Wolf (1990) includes topics that range from understanding the mission to creating a board and raising money. This text offers an exhaustive description of nonprofit organization structure and process. This is a basic manual on how to operate a nonprofit organization

Young (2001) presents the social enterprise concept to the European Research Network Conference (EMES). Based on a survey of nonprofit organizations in the U.S. Young concludes that as more nonprofits acquire profit-like sector practices the emergence of the social enterprise has come to identify this new form of delivery of social services. The EMES network, representing European Countries committed to grow theoretical and empirical knowledge through pluralistic disciplines and methodologies focusing on the third sector have a keen interest in this U.S. phenomenon. Young identifies three forms of social enterprise: corporate philanthropy, social purpose, and hybrid organizations. Implications related to governance and accountability is address within each of these models.

Analysis

The majority of the existing literature can be grouped into two topical areas: board effectiveness and nonprofit (organizational) effectiveness. A third area less populated by the literature addresses the relationship of board performance and organization effectiveness (Illustration 2). Performance metrics associated with nonprofit board governance practices (Bradley, 2008; Carver, 2006; Chait, 2005; Gill, Flynn, & Reissing, 2005; Miller, 2003; Preston 2004; Rosener, 1978; Siebart, 2005; and Van Slyke, 2007) and nonprofit effectiveness (Block, 2004; Eisenhardt, 1989; Gunby, 2009 Purcell, 2010; and Young, 2001) is also explored in the current literature.

Illustration 2 – Literature Map



The literature on effective nonprofit board governance is viewed through the lens of funders, executives, clients, and the public (Bradley, 2008; Carver, 2006; Chait, 2005; Fletcher, 1992; Miller, 2003; Preston, 2004; Rosener, 1978;

Siebart, 2005; and Van Slyke, 2007). The literature that focuses on the effectiveness of nonprofit organizations is viewed through outcomes, outputs, and rankings based on effectiveness metrics (Block, 2004; Eisenhardt, 1989; Gill, Flynn, & Reissing, 2005; Gunby, 2009; Knauff, Berger, & Gray, 1991; Purcell, 2010; and Young, 2001). While the literature on the impact board governance has on the performance of the nonprofit organization is limited, the scholars who have researched this topic speak directly to two main issues: (1) the administrator's role in cultivating, controlling, or circumventing the role of citizens (board members) in the performance management strategy and (2) support, with overwhelming empirical and qualitative data, which indicates when citizens are effectively involved in the organization, performance improves (Gelatt, 1992; Green et al., 1992; Holzer, 1992; Holzer & Kloby, 2005; and Siebart, 2005).

The results of this review establish a platform that suggests when in juxtaposition with organization outcomes; specific board governance traits directly impact the effectiveness of nonprofit organizations (Alexander, 2010; Block, 2004; Brudney 1998; Caers, 2006; and Fletcher, 1992). And, when considered independent of one another, organizational outcomes and board effectiveness measures offer succinct metrics that impact performance.

Board Governance

Two important aspects of effective board governance – practices/processes and results/rating– are the subjects of much of this research. The area of board practices and processes includes motivation, generative and monitoring processes, role expertise and role understanding. In this area of focus

Chait (2005) presents research that is of particular interest. Focusing on past theoretical models of effective governance of nonprofit organizations, Chait (2005) describes three models. Two of the models most often used within nonprofits call upon board members to be advice givers, experts in certain areas (finance, properties, investments, and law), and fund raisers/donors. These two models are viewed as statutory and strategic approaches to effective governance. Chait (2005) contends that when a third mode, the generative process is mastered, effective board governance is maximized. This generative function challenges board members to lead and manage; skills often assigned exclusively to the role of the executive director. Chait (2005) challenged executives and board members to develop the board's generative skills in order to achieve "governance as leadership." This theory offers a unique opportunity to examine whether board members are able to articulate traits that address the statutory, strategic, and generative functions for effective governance as outlined by Chait (2005).

In the literature addressing results and ratings, much research has been dedicated to examining outcomes (results related to donor, owners, clients, and public satisfaction), outputs (number of people served, fundraising success, financial results, and risk prevention), and rankings (taking key output and outcome measures and establishing a rating for the nonprofit). Alexander & Lee (2010) discussed the outputs of effective governance as evidenced in establishing policies related to adoption of SOX (Sarbanes-Oxley)²⁰ mandates. Light (2008) defined effective governance in terms of high levels of public trust

and confidence as a significant outcome indicator. Self-assessment tools utilized by boards to assist them in determining their effectiveness has also been studied (Gill, Flynn, & Reissing, 2005). Charity Navigator²¹ and GuideStar²² are organizations that have developed sophisticated methods for ranking the effectiveness of nonprofit organizations.

Judy Rosener broadly addressed the concept of exploring the effectiveness of board governance. In her research on citizen participation, Rosener (1978) proposed the Participation Evaluation Matrix as the theoretical framework through which to evaluate the effectiveness of citizen participation. Adapting Thompson's (1967) model for evaluating organizational effectiveness, Rosener proposed a hybrid model that focuses on two key elements (traits): knowledge and agreement. Applying this theoretical model to board member participation traits related to effective governance may be the framework for future research on board member traits that impact governance.

Organization Performance

Much of the literature on nonprofit performance is approached through the principle-agent and agency theoretical perspective (Carman, 2009; Eisenhardt, 1989; Fama, 1980; and Van Slyke, 2006). The relationship between the executive director and funders (particular attention to government contracting) are the focus of the discussions within this body of research. In addition, a second area of interest in the discussion on organization performance is from the regulatory perspective (Hall and Kennedy, 2008; Iyer and Watkins, 2002; Mulligan, 2007; Nezhina and Brudney, 2009). In this regard, the scholars focus

on legislative mandates (SOX)²³ and whether or not the rapid growth of nonprofits has compromised the ability of federal, state, and local governments to provide adequate oversight to these legislative mandates. Another interesting part of the literature focusing on organization performance examines the similarities and differences between the nonprofit and the profit sector Moxham, 2009 and The Urban Institute, 2009). These articles assess the applicability of for profit sector management practices to the nonprofit sector and the concept of cross-pollination of the two. Finally, Moxham, 2010 contends that beyond financial metrics there are really no other significant metrics to measure nonprofit performance.

Board Performance and Organization Effectiveness

The weakest area in the literature on nonprofit organizations is in linking board performance to nonprofit effectiveness. Within the performance management movement aimed at public sector organizations the role of citizen participation is often linked to improved performance (Holzer, 1992; Holzer and Kloby, 2005; & Rosener, 1978). The integration of citizens in creating and monitoring performance in public sector organizations can easily be applied to nonprofit sector organizations on two levels. The first relates to board members. Board members are volunteers and are elected to serve on the board by the members (citizens/owners) of the nonprofit organization. On the second level, the degree to which nonprofits are funded by public sector entities (close to 30% of total income generated) constitutes a linkage worthy of consideration in this discussion. A further examination of this topic follows.

The Explanatory Power of the Current Literature

The review that follows identifies the major similarities and differences in the collective body of the existing literature. This review will help to establish the explanatory power of the current research and to demonstrate why it should be expanded. By expanding our research base using this body of knowledge will help us continue to explore answers to the important question posed in this dissertation.

When considering the collective body of literature summarized in the previous pages, three comparatives are extracted and further explored. The three comparatives are: (1) the impact of public funding on governance and effectiveness – resource dependency theory, (2) the relationship between executives and boards – principal/agent theory, and (3) the dearth in research on the relationship between board effectiveness and nonprofit performance – organization theory.

First, government impacts the relationship between the nonprofit board (principal) and the executive director (agent) when establishing networks or contracts for services in the provision of government services. This impact can be best understood through the lens of the principal-agent theoretical model when examining the dynamics of the relationship that results from these actions (Boris, 2006; Toma, 1996; and Van Slyke). As evidenced by the research conducted by Toma (1986) and Boris (2006) the establishment of administrative structures by legislative bodies creates a dynamic that can change existing principal-agent relationships (the relationship between the board and the

executive) or can establish new principal-agent relationships (government and the board). This dynamic is evident when considering the systemization of state universities. As Toma (1986) indicated the role of agent that trustees occupy when serving the state executive (governor) and the legislature under whose appointment they serve frequently shifts to that of principal when the university system expands into a multiple– state college system. This creates a dilemma in governance not addressed by Toma (1986) or Boris (2006). This structural change moves the president of the university into an agent's role and the role of associated college boards of trustees are further complicated under this structure. The change of structure impacts relationships and can be best analyzed and understood from the principal-agent theoretical perspective. The impact of structure was also supported by Van Slyke's (2007) conclusions when referencing the environment in which contracting takes place. In a more rural setting, the government agency seeking to contract for services has limited options and is therefore confronted with contracting with nonprofit agencies that may not be structurally ideal to provide the services needed. As the contracting agency has limited options, the contractual relationship is driven not by competency but by the limits of the nonprofit network available within the environment. In contrast to Toma's (1986) argument, Boris (2006) and Van Slyke (2007) offer an alternative to this "no-win" limited-options situation that was presented by Brown (2005) and Miller-Millesen (2003). They contended that a board that has the strategic and analytical skills to sort through the contextual and environmental conditions in which this principal-agent relation shifts may be

more effective in retaining the dual role of principal (to the university president) and agent (to the legislative branch) in the case that Toma (1986) presented. Using a somewhat different approach, Eisenhardt (1989) pointed to the use of the agency theory in this context to be dangerous if not included in the analysis of the situation through an organizational theory approach.

The second most compelling comparison is in the presentation of the principal-agent and stewardship-agent theories in relation to boards and executives and to government contracting agencies and nonprofit contractors. There is a consistent theme within the literature that these theories may have a larger impact if they are utilized as a combined or as a mixed approach when examining the nonprofit organization (Brown, 2005; Caers, 2006; Eisenhardt, 1989; Fletcher, 1992; and Miller-Millesen, 2003). The literature points to the possible relevancy of a mixed or combined method of the agency and stewardship model when considering the relationship between boards and executives in the nonprofit sector (Caers, 2006; and Brown, 2005), a theoretical approach not embraced by Toma (1996) or Van Slyke (2007). The most salient points in this regard came from Caers (2006) in an article that presented a powerful case for considering the board-executive relationship on an agent-steward continuum. Van Slyke's (2007) analysis of the evolution of the relationship between the government agency and the nonprofit organization took a similar yet less action-oriented approach. In each article, the value of a mixed approach to the study of organizational relationships and their evolution through a continuum approach from agent-to-steward or from a steward-to-agent context

is a valuable contribution to the analysis of organization and board effectiveness. The relationship between a government agency and a nonprofit organization and that of a board of directors and a nonprofit executive is fluid and contingent. It is fluid with regard to the impact that time and experience have on the relationship and it is contingent on performance experience and environmental factors in which the nonprofit operates. When they examined the relationship between organizational effectiveness and governance Brown (2005) or Boris (2006) did not take these factors into consideration. Given these two factors, a mixed theoretical approach in analyzing the relationship may best serve the researcher and the practitioner.

In this third comparison, the degree to which organization effectiveness is dependent upon board effectiveness as addressed by Brown (2005) has some notable omissions. It excluded any discussion of the principal-agent theory of governance as presented by Caers (2006) or Miller-Millesen (2005). This contrast can be best understood by examining the results of Brown's (2005) survey of nonprofit executives and board members, which indicated that executives rated their board's performance lower than their boards rated themselves. An application of the model presented by Caers (2006) and Miller-Millesen (2003) in Brown's (2005) survey may have helped to explain this dichotomy. Holzer, 1992 and by Holzer & Kloby, 2005 explored the notion that organization performance is enhanced by the inclusion of citizen participation (and in the context of this research – board participation) was explored by. The importance of evaluating nonprofit effectiveness in the delivery of contracted

services through government agencies would not be complete if board effectiveness was not examined in the process. This was made evident in the work of Brown (2005) and Miller-Millesen (2005). In each article, the authors pointed to the importance of resource dependency and decision making process as important theoretical concepts related to board effectiveness. Eisenhardt (1989) also concurred through her depiction of organizational theory, which incorporates agency theory and includes the components of behavior-oriented and outcome-oriented contract-based governance structures. These contributions support the theory that board effectiveness impacts nonprofit effectiveness and should be included in the discussion of the principal-agent relationship in contract performance. The strength of these articles is clearly anchored in the importance of the principal-agent relationship (Caers, 2006; and Eisenhardt, 1989) when studying organizational effectiveness, the significant role government has in shaping the relationships (Toma, 1986; and Van Slyke, 2007), in the internal and external forces that threaten the relationship (Boris, 2006; Toma, 1986; and Van Slyke, 2007), and in the value of considering the confluence of organizational theory when assessing organizational effectiveness at the board and executive level (Brown, 2005; and Miller-Millesen, 2003). Brown (2005) suggested that strategic thinking and analytical skills are the most important skills boards must possess.

This contention is supported by Miller-Millesen (2003) when she concluded through her research that resource dependency must also be considered when examining nonprofit board effectiveness. Although Boris

(2006), Brown (2005), Toma (1986), and Van Slyke (2006) do not specifically address the principal-agent topic, their articles provided a sympathetic nod to its importance in the discussion of governance. Although this similarity is evidenced to varying degrees, the differences are clearly evident in terms of the degree to which principal-agent theory should be considered in the evaluation of board performance. Brown (2005) contended that it is not important; rather, he measured the degree to which board members bring strategic and analytical skills to the organization. Miller-Millesen (2003) supported this method; however, Eisenhardt (1989) contended that agency theory/organizational theory should be a priority in this discussion.

The most obvious shortfalls of these articles are a focus on prescriptive rather than descriptive mode of study (Boris, 2006), a compartmentalization approach to the study of government and of the nonprofit rather than an integrated systems approach (Boris, 2006; and Toma, 1986), and the approach to assessing organizational effectiveness by segregating board effectiveness from that of the nonprofit organization in which they govern (Brown, 2005). These gaps and others identified through this analysis will be further explored in the following section.

Strengths and Weaknesses

The strength of these articles is clearly anchored in the importance of the principal-agent relationship (Caers, 2006; and Eisenhardt, 1989) when studying organizational effectiveness, the significant role government has in shaping the relationships (Toma, 1986; and Van Slyke, 2007), the internal and external forces

that threaten the relationship (Boris, 2006; Toma, 1986; and Van Slyke, 2007), and the value of considering the confluence of organizational theory when assessing organizational effectiveness at the board and at the management level (Miller-Millesen, 2003; and Brown, 2005). Brown suggests that strategic thinking and analytical skills are the most important skills that board must possess. This is supported by Miller-Millesen when concluding through her research that resource dependency must also be considered when examining nonprofit board effectiveness. While Brown (2005), Boris (2006), Toma (1986), and Van Slyke (2007) do not specifically address the agent-principal topic their articles provide a sympathetic nod to its importance in our discussion of governance. While this similarity is evidenced in varying degree, the differences are clearly evident in terms of the degree to which principal-agent theory should be considered in the evaluation of board performance.

Brown (2005) contends that it is not important; rather, he looks to the degree to which board members bring strategic and analytical skills to the organization. Miller-Millesen (2003) supports this; however, Eisenhardt (1989) contends that agency theory and organizational theory should be the focus in this discussion. The most obvious shortfalls of these articles include: a focus on prescriptive rather than descriptive mode of study (Boris, 2006), a compartmentalization approach to the study of government and of the nonprofit rather than an integrated systems approach (Boris, 2006; and Toma, 1989), and the approach to assessing organizational effectiveness by segregating board effectiveness from that of the nonprofit organization in which they govern (Brown,

2005). The gaps created by these strengths and limits will be further explored in the final section of this review.

The Gaps in Current Literature on Board Effectiveness

This section establishes the basis for more expanded and integrated research on board effectiveness. This will be accomplished by identifying the fundamental gaps in the literature. Proposals for future research conclude this section focusing on these gaps.

Opportunities to expand research on board effectiveness as revealed through the preceding analysis include four areas. These areas focus on the: (1) underrepresentation of active board members as research participants, (2) identification of specific board skills and traits associated with effective governance, (3) relationship between board effectiveness and organization effectiveness, and (4) a void created by the countless legislative mandates promulgated without corresponding oversight/enforcement provisions.

Perhaps the most potent omission when considering each of the four areas identified is the lack of attention given to board members' perceptions of what makes for a highly effective board member. Engaging board members in this dialogue would expand our knowledge regarding board effectiveness skills and traits and how these might impact the effectiveness of nonprofit organizations. This dialogue may help to expose disconnects between what executives need, what owners/members need, what legislative bodies need, and what board members perceive to be important governance attributes. Current research has yet to expand our understanding of the relationship between board

members' perceptions of key effectiveness traits in relation to: (a) fulfilling their responsibilities and (b) achieving organizational and statutory goals. This void suggests an opportunity for future study with regard to the establishment of best practices in the area of board governance. This study would start with a focus on the shared insights of board members juxtaposition with expected board outcomes. Board member perceptions of those skills and traits that collectively lead to effective governance are absent from the current discourse. By filling the gap in the literature on the topic of self-identified board governance skills and traits, the work to develop of a theoretical framework for evaluating the effectiveness of the governance process (Brown, 2005; Brudney, 1998; and Rosener, 1978) would be advanced. With more active participation of current board members in future studies, the opportunity to create a foundation from which to build a robust model for improving board governance and strengthening the relationship between effective governance and effective organizational outcomes would be realized.

Exposing a shortfall, a tangential question arises that asks: In what combination do statutory (skills) responsibilities and normative (traits) qualities of nonprofit boards optimize the effectiveness of nonprofit boards. Based on more comprehensive studies of board perceptions of effectiveness attributes (skills and traits) combined with those board member attributes identified by owners/members, legislative bodies, and nonprofit administrators, a defined set of effectiveness attributes could be developed and tested. This contribution to

research on board effectiveness advances our understanding of the relationship between the evidence of these board attributes and organizational effectiveness.

The third area in need of further study, the relationship between board effectiveness and nonprofit organizational effectiveness, is essential in answering the question of what constitutes board effectiveness. Boards function on behalf of the organization's owners/members. These stakeholders establish the expected outcomes of their collective performance. One might conclude that these expectations include effectiveness, efficiency, equity, representation, and inclusion. There is a strong link between organizational effectiveness and board effectiveness. Current models, however, fall short in their attempts to correlate these two variables (board effectiveness and organizational outcomes). In addition, the current research is generally weak in the area of identifiable board attributes. This topic is further eroded by the lack of organizational effectiveness metrics. Those organizational performance metrics that dominate the field of research are, for the most part, related to financial/economic outcomes and service outputs (GuideStar & Charity Navigator).

Finally, the literature on legislative oversight (Jackson & Fogarty, 2006) leaves in question the degree to which reporting mandates as required by law (federal, state, and local) provides sufficient resources for monitoring, compliance enforcement, and litigation. In addition, the governmental bodies that have established these mandates appear to have weak systems for sharing and accessing intergovernmental information and oversight coordination. This

shortfall in the research on the role of legislation and effective governance identifies another important agenda item for future research.

The four gaps in the current body of research on board effectiveness, when considered in aggregate identify a clear agenda for future research. This agenda could address the following three areas: (1) the establishment of concise board participation traits (2) the identification of clear organizational outcomes that go beyond financial ratios calculated based on I-990 filings and include program outcomes and impact, the engagement of owners, clients, and other key stakeholders, transparency efforts, and results of annual external audits, and (3) executive leadership skills and traits. These three performance indicators when considered together would provide a comprehensive profile of nonprofit performance (Exhibit 2). This matrix, as displayed in Exhibit 2, advances the current methods for evaluating nonprofit organizations by capturing the work of this research (board participation effectiveness traits) and addresses the gaps in our current research of nonprofit effectiveness by linking the independent studies of nonprofit effectiveness and executive leadership effectiveness together in one evaluative body. In this matrix, the relationship between each of these three performance indicators are linked together, which provides a more robust system for evaluating nonprofit performance and for understanding the relationship between board performance and the organization's performance.

This literature review identified and analyzed existing research on nonprofit sector board governance, citizen participation, organization performance, and administration performance indicators. The result of this review

establishes a research agenda that seeks to establish the relationship between organization administration and citizen (owner) participation and how this interaction may impact the efficacy of nonprofit organizations. While the specific goal of this research is to examine the possible relationship between member consensus of board participation traits and the effectiveness of the organization, it provides an important piece to our understanding of the complex nature of nonprofit organizations (Exhibit 3). In Exhibit 3, The Nonprofit Organization Matrix provides an overview of the environment in which this research was conducted.

Table 1 – Summary of the Literature

AUTHOR	YEAR	TOPIC	QUESTION	METHOD	FINDINGS
Board Performance					
Rosener, J.B	1978	Board Performance	How can we measure the effectiveness of citizen participation?	Survey	Utilizing Thompson's model for evaluating organizational effectiveness, citizen participation (board effectiveness) can be determined
Toma, E. F.	1986	Board Performance	Do Trustees of State Universities serve as agents for the State?	Case Study	No longer are Trustees agents for the State they serve as the principal to the University presidents
Drucker, P.F.	1990	Board Performance	What makes for a high performing executive?	Case Study	Inspires mission, measurements, performance metrics, and continuous learning

Donaldson, L. & Davis, J. H	1991	Board Performance	Does having one person serve as Chair and CEO produce better results?	Survey	Yes, higher shareholder returns but can this be applied to the nonprofit sector
Fletcher, K.	1992	Board Performance	Executive's role in shaping the board	Case Study	Executives influence Board performance
Smith & Lipsky	1993	Board Performance	Government contracting with nonprofits	Survey	Negative impact on governance
Brudney, J. L. & Murray, V.	1998	Board Performance	Are board improvement efforts working?	Survey	Good intentions with little results
Saidel, J.R. & Harlan	1998	Board Performance	What defines deliberative governance?	Survey	Strong executive leadership, well connected board members with political acumen
Weisman, C.	1998	Board Performance	What contributes to good board performance?	Narrative	Mission commitment, raising money, managing meetings, understanding expectations, and respecting the role of the executive all make for good performance
Board Leadership	2001	Board Performance	Does private sector expertise matter?	Case Study	Need to adapt but not leave behind at the boardroom door
Brudney, J. L. & Nobbie, P. D.	2002	Board Performance	After board training do boards implement standards?	Survey	High acceptance low implementation
Miller, J.L.	2002	Board Performance	Do boards understand their role?	Case Study	No, boards do not, they rely too much on CEO guidance
Pointer, D.D. & Orlikoff, J.E.	2002	Board Performance	What improves Board performance?	Narrative	64 principles for high board performance are identified

Miller-Millesen, J. L.	2003	Board Performance	What makes for an effective board?	Survey	Boards that change based on time and place operate more effectively
Mordaunt, J. & Cornforth, C.	2004	Board Performance	Does inaction of boards cause nonprofit failure?	Case Study	Yes, boards need to be more 'hands on' in their governance of nonprofits
Preston, J.B. & Brown, W. A.	2004	Board Performance	What influences board performance?	Survey	Increased levels of affective commitment increases board performance
Stephens, R., Dawley, D. D. & Stephens, D. B.	2004	Board Performance	Are board member commitments similar to the CEO's?	Survey	Board members display similar normative commitments as do administrators
Chait, R.P., Ryan, W.P., & Taylor, B.E.	2005	Board Performance	What is the new model for improved board performance?	Case Study	Focus on strategy and relationships with little data to prove its value
Gill, Flynn, & Reissing	2005	Board Performance	Board self-assessment tool	Text	Board self-assessments heightens awareness
Salamon, L. M. & Geller, S. L.	2005	Board Performance	What contributes to good board performance?	Survey	Strategic thinking, high ethical standards, independent audits of the financial results, and statute compliance, but agreement is not certain
Alexander, J.A. & Lee, S. D	2006	Board Performance	Do high outcome expectations change board performance?	Survey	Affirmed – five key board performance metrics identified
Boris, E. T. and Steurele, C. E. (Editors)	2006	Board Performance	Do Local, State, and Federal Governments impact Board Governance?	Lit Review	Conflicts between government entities in regulating and overseeing nonprofits impact board governance
Craver, J.	2006	Board Performance	Board performance transformed	Case Study	Executive leadership is the key

Craver, J.	2006	Board Performance	Can the private board be a model for nonprofit boards?	Case Study	No, a recipe for disaster
Inglis, S. & Cleave, S.	2006	Board Performance	Does higher level of motivation increase board effectiveness?	Survey	Higher levels of motivation does not increase effectiveness of boards
Jackson, P.M. & Fogarty, T.E	2006	Board Performance	Did SOX change nonprofit board governance?	Narrative	Only two provisions in SOX are mandated for nonprofit compliance – whistleblower and document retention
Kelley, C. L. & Anderson, S.	2006	Board Performance	Will federal oversight of nonprofits increase?	Case Study	Yes – more focus on core IRS mandates for boards: duty of care – duty of loyalty – obedience
Moore, M.H. & Ryan, W. P.	2006	Board Performance	How can trust and confidence in nonprofits be restored?	Lit Review	Improve board performance and eliminate waste (100b in 2006)
Guo, C.	2007	Board Performance	Do governance patterns change when funding from government sources increases?	Survey	Yes, board behavior changes
Ostrower	2007	Board Performance	Boards role in shaping policy	Survey	CEOs describe the boards' role in shaping policy
Stone, M. M. & Ostrower, F.	2007	Board Performance	Does more than principle govern nonprofits?	Survey	Nonprofits are subject to multiple principals and therefore nonprofit boards need to change to meet these new pressures—citizens, government, public
Bradley, W. E., Millesen, J.	2008	Board Performance	How do executives perceive board performance?	Survey	Boards and Executives have disconnected perceptions

Immerwahr, J., Johnson, J., & Gasbarra, P.	2008	Board Performance	What is influencing the executive's decision making today?	Survey	Changing demographics, increased costs, increased competition, and demands for more accountability
Krauskopf, J., Blum, M., Litwin, R., Hughes, J.	2008	Board Performance	What are the most pressing issues facing CEOs of nonprofits?	Survey	High costs, high demand for services, economy, client diversification, more government oversight
Light, P. C.	2008	Board Performance	What is the public's level of trust in nonprofit organizations in the U.S.?	Survey	Trust and Confidence in nonprofits remains at 2003 levels (34%): malfeasance and board leadership
Gowdy, H., Hildebrand, A., LaPiana, D., & Campos, M.M.	2009	Board Performance	What are the 21 st century trends in board governance?	Case Study	Blurring of sector boundaries, increased citizen participation, use of networks will impact governance and administration
Grant Thornton	2009	Board Performance	What are the most pressing nonprofit issues for board governance?	Survey	Executive compensation, strategic planning, governance, transparency, altering program priorities and declining revenues
Herman, R. D.	2009	Board Performance	Are nonprofit boards fulfilling their responsibilities	Survey	The highest rated performance metrics were: adopted SOX and diversity. Lowest: fundraising, program monitoring, advocacy
Jegers, M.	2009	Board Performance	What makes for a better board member: donors or professional managers?	Lit Review	Donors make for better board members than professional managers
Alexander, J., Brudney, J.L. & Yang, K.	2010	Board Performance	Do too many funders impact governance?	Case Study	Too many funders cause confusion in good governance

Directors Notes	2010	Board Performance	When do Boars seek outside advice?	Case Study	Rarely, if at all
Ebener, D. R. & O'Connell, D. J.	2010	Board Performance	What drives citizen participation?	Case Study	Leaders who invite, inspire, and care: Voice – Spirit – Heart
Kim, S.E. & Lee, J. W.	2010	Board Performance	What is the impact on performance with competing work demands?	Survey	When work demands escalate compliance to rules is more important than professional integrity and quality
Purcell, E. M. & Hawtin, M.	2010	Board Performance	Can Peer Reviews be effective in evaluation nonprofit performance?	Case Study	Peer Reviews can be effective tools for evaluating organizational performance when reviewers skills sets are closely aligned with the nonprofit being evaluated
Organization Performance					
Fama, E.F.	1980	Organization Performance	Is it necessary to separate the power - board from the CEO?	Case Study	The separation of power reduces shirking and malfeasance
Eisenhardt, K.M.	1989	Organization Performance	Agency theory or org. theory?	Case Study	A blend of the two theories is the best approach
Wolf, T.	1990	Organization Performance	How to maximize performance?	Narrative	Operate nonprofits for outcomes
Saidel, J.R	1991	Organization Performance	Are nonprofits on the inside or the outside of the public sector service delivery system?	Survey	Nonprofits are on the inside which forces nonprofits to consider how the public and the public sector view performance and the level of efficacy
Young, D. R.	2001	Organization Performance	Can the adoption of private sector practices improve nonprofit organization outcomes?	Survey	The social enterprise model: are the results of nonprofit adapting private sector practices

Iyer, V. M. & Watkins, A, L.	2002	Organization Performance	What types of nonprofits are adopting SOX?	Survey	Nonprofits that have large budgets, large boards, board independence and tend to adopt SOX more readily
Block, S. R.	2004	Organization Performance	What causes nonprofits to fail?	Case Study	Holding on to old practices
Van Slyke, D.M.	2006	Organization Performance	What determines the most productive relationship between government and nonprofits?	Survey	Public/Nonprofit partnership relationships are most positive when the nonprofit delivers the results the government agency is looking for
Mulligan, L.N.	2007	Organization Performance	Will SOX be effective?	Case Study	SOX cannot adequately address both the private and the nonprofit sector and mandates cannot be enforced
Blackwood, A., Wing. K.T., & Pollak, T.H	2008	Organization Performance	How big is the sector?	Survey	Dramatic growth over the past decade (1996-2006)
Hall, L.M. & Kennedy, S. S.	2008	Organization Performance	What indicators are present when nonprofits perform at the optimal?	Survey	Clear mission, legal compliance, strong board, strong HR practices, strategic plan, fiscal health, and participation in networks
Smith, S.R.	2008	Organization Performance	What drives nonprofit performance?	Case	Using the Winter Commission Report on training, citizen participation, and performance measures are critical to nonprofit success
Carman, J. G.	2009	Organization Performance	Do multi-funders impact performance?	Mixed	Accountability is weakened with too many funders
Gunby, N. W. Jr.	2009	Organization Performance	What drives nonprofit performance?	Case Study	Multi-dimensional strategy building yields greater results

Moxham, C	2009	Organization Performance	Can private sector performance measures be applied to the nonprofit sector?	Case Study	Yes – measures in private sector are applicable to nonprofit sector
Nezhina, T. G. & Brudney, J. L.	2009	Organization Performance	Are SOX mandates being implemented?	Survey	SOX did not stimulate compliance efforts on a widespread basis
The Urban Institute	2009	Organization Performance	Are boundaries between the sectors blurred?	Lit Review	Cross pollination is occurring: the benefits to nonprofits may not outweigh the liabilities
Moxham, C.	2010	Organization Performance	What is the status of nonprofit performance measures?	Case Study	Beyond financial metrics, measures are nonexistent a or inadequate
Board & Organization Performance					
Knauff	1991	Board & Organization Performance	What drives a 'great' nonprofit?	Survey	A committed and involved board is essential
Gelatt, J. P.	1992	Board & Organization Performance	Do nonprofit executives need different skills than other executives?	Narrative	Some tasks are similar some are unique: mission, volunteers, members
Holzer, Marc	1992	Board & Organization Performance	Productivity Management	Anthology	The collection of articles details the elements for successful performance management
Green, J. C., Madjidi, F., Dudley, T. J. Gehlen, F. L.	2001	Board & Organization Performance	Do board and CEOs agree on performance measures?	Survey	Major differences in perceptions but does not affect outcomes
Nobbie, P. D. & Brudney, J.L.	2003	Board & Organization Performance	Do improved board governance practices improve performance?	Survey	New governance models improve nonprofit performance

Brown, William, A.	2005	Board & Organization Performance	Does Chait's model work?	Survey	Boards view their performance at a higher level than do their Executives. Both agree that strategic thinking is most important
Holzer, Marc & Kloby	2005	Board & Organization Performance	Models for inclusion of citizens in performance management	Literature Review	Citizen involvement improves the performance management
Siebart, P.	2005	Board & Organization Performance	What drives good executive performance from a Board-relational perspective?	Survey	The level of the board's trust in the executive and unity of the board impacts board decisions and executive performance
Caers, DuBois, Jegers, DeGieter, Schepers, & Pepermans	2006	Board & Organization Performance	Is principal-agent or agent-steward the best model for predicting optimum performance?	Case Study	The use of each model on a continuum/axis is the best predictor and controller of performance/behavior

Chapter 3 - Theoretical Model

Introduction

Pursuing the question of the relevancy of volunteer board members perceptions of their job and organization goal achievement, Judy Rosener (1978) took an inherent approach to the study of the effectiveness of boards. She examined the success rate of local board's that were established to implement newly mandated transportation policies related to the California Department of Transportation (Caltrans) legislation. Rosener's study was based on examining two variables (traits): knowledge²⁴ and agreement²⁵. Her findings suggest that when board members have consensus on their responsibilities (high knowledge) and agree to how their work will be evaluated (high agreement), participation effectiveness is maximized. Rosener identified in her research of the local Calstrans boards that when there were high levels of knowledge and high levels of agreement, the boards achieved maximum results (achievement of the organization's goals and high satisfaction in their participation). She termed this state as "healthy participation".

This chapter will present the Rosener Participation theoretical model on which this research was based. This will be achieved by first introducing the model, defining its key components, providing a few examples of the model's application, and will conclude with a discussion on how the model was employed in this research.

The Rosener Participation Effectiveness Matrix

The Rosener Participation Effectiveness Matrix (Rosener, 1978) is the theoretical lens through which this research was conducted (see Figure 1).

Figure 1 – The Rosener Participation Effectiveness Matrix

A g r e e m e n t	High Agreement Low Knowledge	High Agreement High Knowledge
	Low Agreement Low Knowledge	Low Agreement High Knowledge
Knowledge		

Rosener developed this matrix in 1978, while working on her Ph.D. at Claremont Graduate University. In the earlier part of her academic career at the University of California, Irvine – Paul Merage School of Business (where she is currently professor emeritus with a research focus on workforce and gender issues) she continued to research and write about the importance of citizen participation in policy making and policy implementation. She became widely recognized as an advocate for citizen engagement not only as a scholar but also as a practitioner (she served as the chair of the California Coastal Commission). Her work in this area compliments the work of the other scholars (Holzer, 1992) who at the same time (1970s) were studying and writing about public productivity (performance). Most efforts in the productivity improvement movement at this time focused on results from a quantitative perspective. When discussing her work on determining the effectiveness of citizen participation, Rosener makes her

points clear regarding the value of quantitative and qualitative evaluative approaches. In measuring performance of voluntary boards and in the broader sense, the organizations they serve, she believes it is important to consider both the quantitative and qualitative outcomes. Rosener (2011) notes: “quantitative measures are necessary but not sufficient”, a statement well grounded in her research.

The Rosener Participation Effectiveness Matrix was developed based in part on Thompson’s (1967) work on organization effectiveness. Using Thompson’s work as the foundation to her approach, Rosener set out to design a tool to evaluate the less quantifiable²⁶ aspects of a voluntary board’s effectiveness traits. The matrix’s effectiveness as an evaluation tool was tested and researched through a case study on the implementation of the California Department of Transportation (Caltrans) transportation plan mandated through State legislation in 1973. This legislation required the engagement of citizens in the decision-making process relative to the implementation of regional transportation systems. When seeking to develop a method for evaluating the effectiveness of citizen participation in this process Rosener made it clear that establishing the purpose of the participation is fundamental. Deciding whether the citizen group is formed as a means in and of itself, or a means to an end (Rosener, 1978) is an important first step in considering the use of this model. The citizen groups (boards) that have been formed as a means to an end, i.e. the effective participation of the individuals as a group achieves a tangible goal will demonstrate two key attributes or traits. The “means to an end” group will display

a higher knowledge of the groups responsibility in the achievement of the established goal (be it a goal or set of goals that are identified by the group, the administrator, or the organization). They will also display higher levels of agreement on what goals are to be achieved. These two traits: knowledge and agreement are the participation traits Rosener set out to assess and led to the development of the Rosener Participation Effectiveness Matrix.

The matrix Rosener established includes an assessment of both the degree to which there is a high level of knowledge regarding the group's responsibilities and whether there is a high level of agreement on how they will assess whether or not the goal(s) of the group (organization) are achieved. The matrix includes two evaluation variables. Board members identified (through a series of questions and observation conducted by Rosener) the degree to which knowledge of their roles (responsibilities) was present (variable #1) and whether or not there was agreement (variable #2) on the goals (of their participation on this voluntary board). The knowledge and agreement variables were assessed on two levels: individual and group. The degree to which there was consensus among the majority of members on the knowledge and agreement indicators is an essential part of this model. Rosener contends that when there is a high level of consensus on these participation factors the effectiveness of the voluntary group is elevated.

The knowledge variable is assessed on a continuum of complete to incomplete. This variable, in order to score in the most healthiest quadrant (Quadrant 2 or 4 in Figure 1), board members would have to display complete

knowledge of the responsibilities they have and the impact effectively discharging them will have on achieving the organization's goal(s). Knowledge in this sense would be displayed when board members identify the core mission areas of the organization, whose core mission areas/goals they are, and how their service impacts the achievement of them.

The agreement variable is recorded as a Yes or No assessment.

Agreement is defined as the board member's understanding of how their individual participation is evaluated. In addition, this indicator also assesses whether or not board members have agreement on how their participation impacts the achievement of the organization's goals. A high level of agreement would place the board in Quadrants 3 and 4 (see Figure 1).

When interviewing members of an organization's board a ranking in Quadrant 4 would indicate that there is collective knowledge of the goals of the organization and of the board members responsibilities associated with achieving them and that there is a high level of consensus on how these goals and responsibilities are achieved. An example: A JCC board that has complete knowledge of the organization's goal of offering Jewish cultural programs and articulates the way in which this goal is achieved (by offering Jewish writers a place to present their work) and there are clear goals related to the boards role is assuring that this objective is achieved (raising the necessary funds so there is no financial barrier to participating); the organization would be ranked in Quadrant 4 (high agreement on goals and goal achievement and high knowledge of the board role in achieving them).

Application of the Rosener Participation Effectiveness Matrix

Rosener's research concludes that this model is the most reliable for assessing a board's effectiveness and in determining the organization's level of "healthy" participation. This model was applied in this study in two ways: structuring focus groups, individual interviews, and survey questions, and in analyzing the data. A four-question survey was developed as part of the focus group and interview protocol (Appendix 1). The first two questions were related to the knowledge variable (K1, K2); what are your organization's three core mission areas (K1)? And what are the three core board member responsibilities (K2)? Two questions were also posed for the purpose of assessing the boards' agreement level (A1, A2). These questions addressed the areas of board agreement on how their participation as individual board members is evaluated (A1) and if their participation impacts the achievement of the organization's mission and goals (A2).

Chapter 4 - Research Design and Methods

Introduction

Board members of nonprofit organizations have the ultimate statutory, fiduciary, and moral responsibility for assuring its owners, members, collaborators, contributors, and the public that the organization is effectively, efficiently, and equitably meeting its mission (Hall, 2003; and Ostrower, 2007). The research design and the methodology undertaken in this study and presented in the subsequent plan propose a path that seeks to identify those board member participation traits that may have a relationship to enhanced effectiveness of nonprofit organizations.

To accomplish this task, first the research question is presented and linked to the theoretical perspective in support of the research design and methods. The section that follows identifies the research logic model and design reflecting the approach carried out in pursuit of answers to the research question. In the third section the methods that were employed to gather and analyze these data will be presented.

The goal is to present the research design and methods approach that will maximize the validity and reliability of the findings. With results providing a new body of knowledge that will advance present-day understanding of the important traits members bring to their voluntary service on nonprofit boards.

Research Question

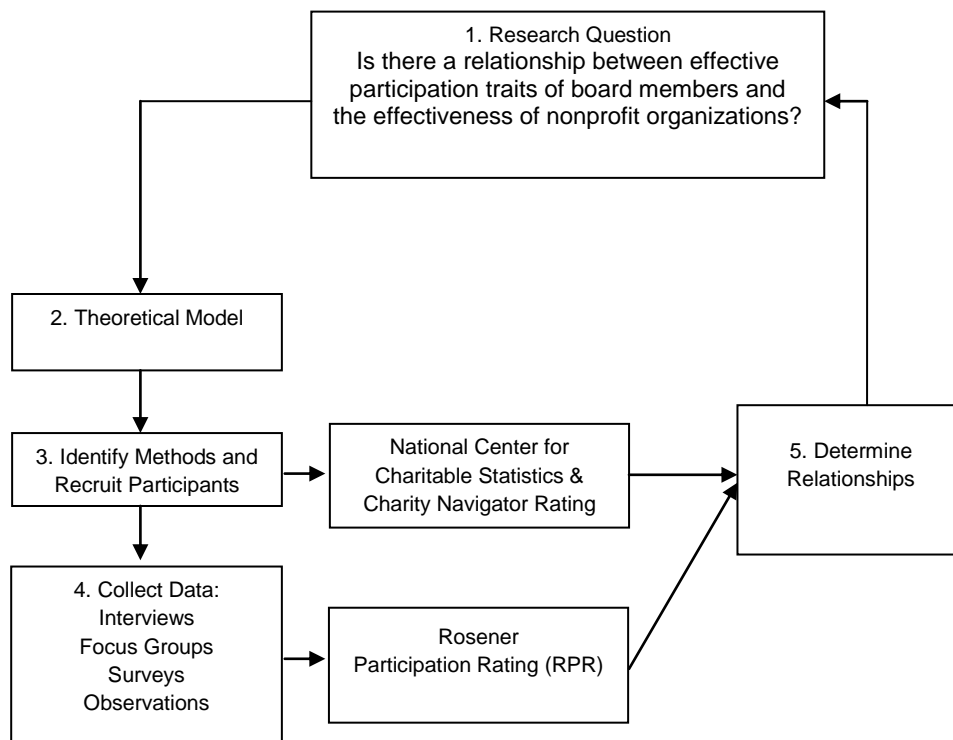
In examining what drives effective achievement of an organization's goals when engaging volunteers as members of advisory boards, Rosener (1978), as noted in Chapter 3, proposed a theory of participation effectiveness that focused on active board members and their perceptions of the goals of their engagement and how the achievement of these goals were evaluated. The underlying assumption of this model suggests effective volunteer board participation is associated with individual member participation traits related to knowledge of and agreement on the goals associated with their task. When in alignment, these traits are purported to impact the achievement of organizational goals. The theory of effective participation has been studied by other scholars (Alexander & Lee, 2006; Block, 2004; Board leadership, 2001; Boris & Steurele, 2006; Brown, 2005; Brudney & Murray, 1998; Cares et. al., 2006; Chait, Ryan, & Taylor, 2005; Gill, Flynn, & Reissing, 2005; Hall, 2003; Herman, Holzer & Kloby, 2005; 2009; Jegers, 2009; Miller, 2002; Moore & Ryan, 2006; Saidel, 1998; Salamon, 2005; and Van Slyke, 2006) who expanded its application by examining nonprofit board effectiveness traits and effective citizen participation. These studies have made a significant contribution to this area of inquiry. This existing body of knowledge can be further advanced by focusing on individual board member traits as self-identified by board members utilizing Rosener's (1978) theory and applying this theory to nonprofit boards that have statutory and fiduciary responsibilities—a study yet to be undertaken.

With this theoretical underpinning, this research sought to answer the following question: Is there a relationship between effective participation traits of board members and the effectiveness of nonprofit organizations, by creating a research design and employing methods introduced and described in the following sections.

Research Design

This study utilized a five-step logic model (see Illustration 3) in order guide the process in seeking answers to the proposed research question.

Illustration 3 – Research Logic Model



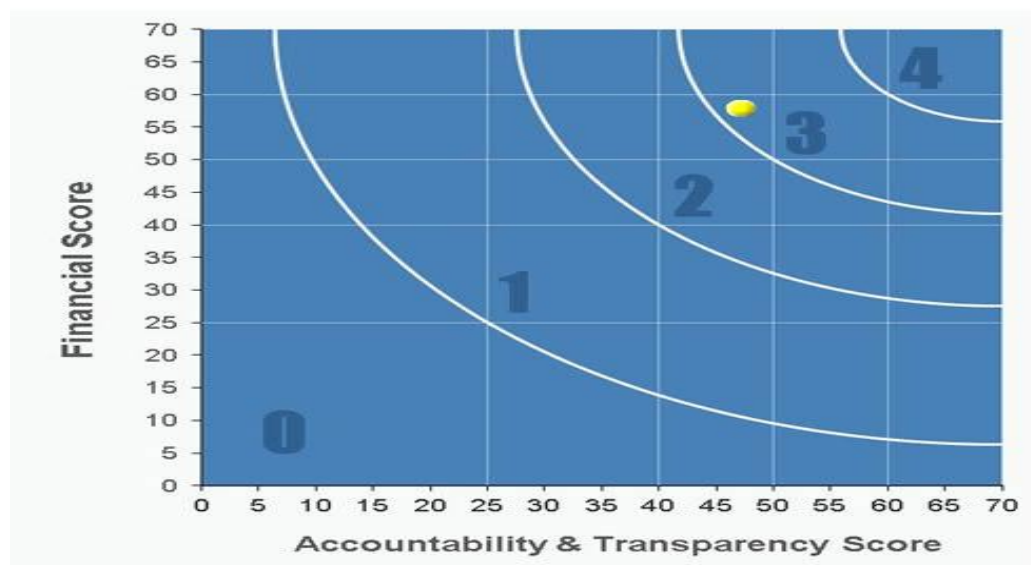
The first step included an in-depth assessment of the current literature on the nonprofit sector in the United States. This first step framed and validated the research question. Based on this assessment, in the second step a theoretical

model was identified and utilized as the lens through which an examination of the research question was conducted. The third phase in the model focuses on identifying the design and methods that led to the selection of the research study participants and the methods for collecting and analyzing the data. In this step ten nonprofit boards and associated organizations were extensively examined utilizing four data collection methods. The fourth step in the process involves the analysis and interpretation of the data collected. In this phase the research questions and propositions were reconsidered. These data were subsequently analyzed and converted into ratings of the individual boards based on the theoretical model. These ratings were then compared to an existing data set that rated the effectiveness of these organizations. The relationship between the ratings of the board's effectiveness to the ratings of the organizations (provided by the existing data set) was analyzed. By adding the board effectiveness dimension, an expanded model inclusive of the both board and organization effectiveness ratings was developed as a lens through which nonprofit performance may be viewed. The findings are documented and conclusions are articulated in the fifth and final stage of the model. This fifth step provides an opportunity to reconsider the research question and associated propositions to help determine what additional research may need to be conducted.

The research design includes the use of an existing theoretical model (Rosener), the use of an existing data set (Charity Navigator ratings), and the use of a new model developed for this study (The Nonprofit Performance Rating)

used to examine the relationship between the theoretical model and the existing data set. The Rosener Participation Effectiveness Matrix model was utilized to identify individual board member traits. Added to this, the nonprofit effectiveness ratings were secured by utilizing data provided by Charity Navigator²⁷, an independent nonprofit organization that rates nonprofit organizational effectiveness (Figure 2).

Figure 2 – Charity Navigator Rating System



Source: Charity Navigator 2011.

(Note: In this display the “sample” organization (see ● above) received a 58 on Financial Health (y axis) and a 47 on Accountability and Transparency (x axis). The three star rating is the point noted as the intersection of these two scores.)

Charity Navigator is one of four nonprofit rating organizations and has the most in depth and quantitative approach. It rates the effectiveness of nonprofit organizations by utilizing twenty-four metrics based within two categories: financial and accountability/transparency metrics (see Table 2).

Table 2 – Charity Navigator Rating Metrics

Metric	Definition	Calculation
FINANCIAL PERFORMAMNCE	Financial Efficiency : spending less to raise more, low administrative costs, and majority of spending on programs	5 Possible Ratings*: 0 2.5 5 7.5 10
1. Program Expense ^{^**}	Percent of total spending on programs	<33% = 0; >65%=10
2. Administrative Expense [^]	Percent of total spending on administration	> 33% =0; <15% =10
3. Fundraising Expense [^]	Percent of total spending on fundraising	> 20%=0; <10%=10
4. Fundraising Efficiency	Cost to raise \$1	>\$1 =0; <\$.10=10
5. Primary Revenue Growth [^]	Average growth over 3yrs	<-3%=0; >7%=10
6. Program Expense Growth [^]	Average growth over 3yrs	<0%=0; >10%=10
7. Working Capital Ratio [^]	Cash on-hand to operate without income (in years)	<0.0 yrs=0, >1.0yr=10
ACCOUNTABILITY AND TRANSPARENCY	Explaining actions (accountability) and publishing (transparency) key data	Maximum of 70 points for each metric
8. Independent Board [^]	Voting majority	<5 = -15pts
9. Material Diversion of Assets [^]	Theft – Misuse of Funds	w/o explanation= -15pts, w/ explanation= -7pts
10. Independent Audited Financials [^]	Independent auditor	no outside auditor= -15pts
11. Monetary Loans [^]	Cash advances to officers/staff	yes= -4pts
12. Record of Board Meeting Minutes [^]	Board meeting minutes kept	no= -4pts
13. I-990 to Board Prior to Filing [^]	Board review of I-990	no= -4pts
14. Conflict of Interest Policy [^]	Policy in place	no= -4pts
15. Whistleblower Policy ^{^+}	Policy in place	no= -4pts
16. Record Retention Policy ^{^+}	Policy in place	no= -4pts
17. CEO Compensation [^]	Reported	no= -4pts
18. CEO Compensation Committee [^]	Policy-Process in placer	no= -4pts
19. Board Compensation [^]	Board members paid	yes= -4pts
20. Board Member Roster ^{^^}	Listed on Website	no= -4pts
21. Key Staff Roster ^{^^}	Listed on Website	no= -3pts
22. Audited Financials Posted ^{^^}	On Website	no= -4pts
23. I-990 Posted ^{^^}	On Website	no= -3pts
24. Donor Privacy Policy ^{^^}	On website/Opt Out	no= -4pts; opt. out= -3pts

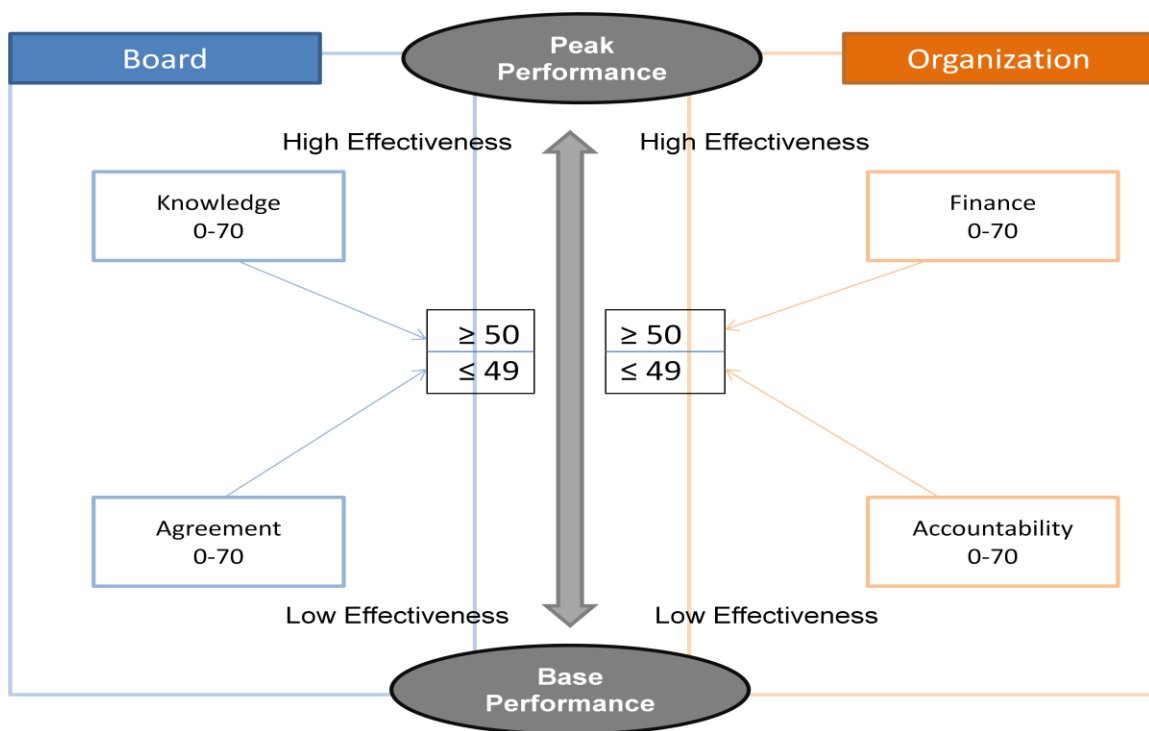
Source: Charity Navigator Website (www.charitynavigator.org), 2011

*Adjusted for Charity's primary Mission area and past deficits, **Indirect Costs applied to Program Expenses deemed by Charity Navigator to be excessive and not fully explained on the Charity's I-990 are excluded, ^Source: I-990 Form, Sarbanes-Oxley Requirement, ^^ Source: Website

The twenty-four metrics are adjusted based on the organization's mission, its performance as compared to other similar nonprofits using a 0 (low)—70 (high) points system for each of the two performance indicators (finance and accountability/transparency), and is converted into an overall rating of the organization: 1= Low effectiveness and 4= High effectiveness. Exhibit 3 presents the formula used in converting the raw scores for the 24 individual metric areas to a single rating. Although the Charity Navigator ratings have limitations, Charity Navigator is one of only three organizations that rates charities. Charity Navigator is the most widely recognized of the three organizations that rate nonprofit organizations. . The other two rating organizations; The Better Business Bureau and GuideStar²⁸ use similar, but limited, financial-based rating and narrative rating tools.

In order to view the relationship between the results from the Rosener Matrix ratings of the boards and the Charity Navigator ratings of the organizations, I created the Nonprofit Performance Paradigm (see Figure 3). This model displays the relationship between board participation ratings and the effectiveness ratings of nonprofit organizations by providing a vertical continuum on which the two ratings (Rosener's and Charity Navigator's) are placed. The tethering of Rosener to Charity Navigator provides a more expanded visual of the performance of the nonprofit organization by giving recognition to board performance as a key metric in evaluating nonprofit performance.

Figure 3 – Nonprofit Performance Paradigm



Source: P. Hoontis (2011)

The Nonprofit Performance Paradigm (Figure 3), developed for the purpose of this research, provides a framework for the assessment of the relationship between the level of board member effectiveness (the Rosener Participation Effectiveness Matrix) and the effectiveness level of the organization (Charity Navigator ratings of the effectiveness of nonprofit organizations).

Board member participation effectiveness ratings are drawn from the Rosener Participation Effectiveness Matrix (left-hand side of the model). The ratings are based on the same 0(low)—70(high) scale utilized by Charity Navigator and converted into a single rating using the Charity Navigator formula (Exhibit 4). These ratings are then compared to the ratings of the nonprofit

organization (Charity Navigator data bank) to assess the correlation between the board effectiveness levels and the effectiveness levels of the organization (middle section of the model). The design then employs the findings to suggest that a relationship exists between the two variables (board effectiveness (independent) and nonprofit effectiveness (dependent)). This relationship is viewed as the degree to which there is evidence of effective or ineffective governance (left -hand side of the model) and the effectiveness rating of the organization (right-hand side of the diagram). This relationship helps us to understand whether or not the organization is operating at a peak or base performance level (middle section of the diagram). The place an organization is given on the vertical access of the Nonprofit Performance Matrix is determined by the strength of the relationship between the independent variable (Board Effectiveness Rating) and the dependent variable (Charity Navigator's Nonprofit Effectiveness Rating). Figure 3 presents theoretically the strength of the relationship suggested in this model.

Methods

In this section the methods employed in this study are identified, defined, and described, in addition, an explanation of the selection process of the studied population is addressed; data collection, analysis, and interpretation techniques are also explained. The course of study for this research utilized qualitative and quantitative methods through a purposive and sequential approach.

A four-phased (focus groups, interviews, observations, surveys) mixed-methods strategy was selected and deployed for this research. In particular, the primary approach utilized was an ethnographic case study form of inquiry (Creswell, 2009). In considering this choice three factors were considered: the nature of the question, the researcher's experience, and the intended audience.

The pragmatic nature of the research question— the relationship between board member participation traits and the effectiveness ratings of nonprofit organization— was the primary consideration in selecting the approach. In addition, this strategy was also supported by the literature review and the researcher's experience working with voluntary boards in the nonprofit sector. Each of these two reference points shared a similar perspective: few studies on organizational effectiveness and the performance of the board directly engaged board members in assessing the board's impact on the organization's performance. In addition, for this research to be useful in its application in the field, nonprofit managers and board members will benefit most from knowing the study directly involved active board members in organizations that are well established and recognized in the United States. The characteristics of the

population to be studied— intact nature of the population to be researched— as well as the need to undertake an in- depth exploration of individual self-assessments informed the selection of this strategy.

The population identified and studied in this research was board members and CEOs of multipurpose human service nonprofit organizations²⁹ currently rated in the Charity Navigator data back. Multipurpose human services organizations were selected from a categorical listing of fifty-two possible organizational types (NCCS, Urban Institute, 2010). Multipurpose human service organizations offer the most complex programs and diversified funding which requires board focused on many organizational issues: strategy, funding, and statutory. The total number of organizations targeted to participate was twenty. This number was identified as the maximum number due to the involved research design and methodological approach to this study as well as time and cost constraints. Multipurpose human service organizations were purposively chosen because they typically have broad-based missions serving constituents through a variety of program areas. Nonprofit organizations with broad based missions and purpose often operate with a more diverse revenue base (government contracts, contributions, and earned income/fees for services basis) which necessitates the skills of a more diverse board. This organizational type was preferred over single—focused organizations (revenues primarily sourcing from government entities) in order to make the potential findings applicable to a broader population of nonprofit organizations.

Based on this logic, the organizations invited to participate were identified by utilizing a purposive, balanced (urban/suburban), and maximizing (small and large budgets) variation sampling of nonprofit multi-purpose human service organizations. A search based on these criteria was conducted using the Urban Institute data bank of nonprofit organizations (NCCS³⁰). After the organizations fitting these criteria were identified they were cross-referenced within the Charity Navigator data bank to confirm that the selected charities ratings were available. The result of this selection process yielded 50 potential nonprofit organizations all located on the Atlantic seaboard within the United States (see Table 3). An initial mailing was sent to the Executive Directors of the 50 organizations identified. After a series of phone calls and emails as follow-up to the original mailed request twenty-five agreed to participate, however the final number of actual eligible participating organizations totaled 10, a 20% response rate with (see Table 4). The participating organizations did so either through electronic surveys, in-person interviews, and/or focus groups. The details relating to the specific method used to collect data from each of the participating organization is identified below including the Charity Navigator rating (see Table 4). A complete profile of each participating organization is in Appendix 5.

Table 3 – Nonprofit Organizations Invited to Participate

Name of Organization	CNR	City	State
92nd Street Y	4	New York	NY
New York Cares	4	New York	NY
WhyHunger	4	New York	NY
Boston City Year	4	Boston	MA
YMCA of Pittsburgh	4	Pittsburgh	PA
Special Olympics Delaware	4	Newark	DE
New York City Year	4	New York	NY
JCC in Manhattan	3	New York	NY
JCC Greater Rochester	3	Rochester	NY
YMCA Greater Rochester	3	Rochester	NY
Special Olympics NJ	3	Lawrenceville	NJ
YMCA of Greater Boston	3	Boston	MA
Special Olympics CT	3	Hamden	CT
Maccabi USA	3	Philadelphia	PA
Little League Baseball	3	Williamsport	PA
Boothbay Regional YMCA	3	Boothbay Harbor	ME
Special Olympics	3	Washington	DC
Greater Manchester YMCA	3	Manchester	NH
JCC of Mid-Westchester	3	Scarsdale	NY
U S Golf Association	3	Far Hills	NJ
Special Olympics Virginia	3	Richmond	VA
American Red Cross	3	Washington	DC
The LPGA Foundation	3	Daytona Beach	FL
YWCA USA	2	Washington	DC
Special Olympics PA	2	Norristown	PA
Special Olympics Maryland	2	Baltimore	MD
Special Olympics MA	2	Marlborough	MA
JCC of North America	2	New York	NY
JCC MetroWest	2	West Orange	NJ
FDNY Foundation	2	Brooklyn	NY
NYC Police Foundation	2	New York	NY
U S Luge Association	2	Lake Placid	NY
Women's Sports	2	East Meadow	NY
YMCA of Central Florida	2	Orlando	FL
U S Equestrian Foundation	2	Gladstone	NJ
YMCA of Central MA	2	Worcester	MA
Special Olympics NC	2	Morrisville	NC
Firefighters Foundation	1	Farmingdale	NY
N Y Sheriff's Institute	1	Albany	NY
Special Olympics New York	1	Schenectady	NY
National Police Foundation	1	Morganville	NJ
YMCA of Western CT	1	Brookfield	CT
Special Olympics Maine	1	South Portland	ME
Special Olympics NH	1	Manchester	NH
Christian Relief Services	1	Alexandria	VA
American Federation Police	1	Titusville	FL
Special Olympics Florida	1	Clermont	FL
Special Olympics SC	1	Columbia	SC

Note: CNR – Charity Navigator Rating

Table 4 – Study Participants

Organization	CEOT	TOTP	BDS	BUD	CNR	F	I	S	O
1	20	10	25	11	3	X	X	X	X
2	5	10	28	8	3	X	X	X	X
3	3	9	15	2	3		X	X	
4	5	10	30	16.5	2		X	X	
5	5	5	15	4	2		X	X	
6	15	19	20	5	2	X	X	X	X
7	18	25	27	40	3	X	X	X	X
8	10	6	20	7	2		X	X	
9	14	14	20	5	3		X	X	
10	8	5	16	5	2		X	X	
Mean	10.3		21.6	9.35	2.5				
Total		113	216			4	10	10	4

CEOT: Tenure of the CEO in current position

TOTP: Total number of participants

BDS: Total number of Board Members

BUD: Total Organization Budget in millions

CNR: Charity Navigator Rating

F: Focus group

I: Interview

S: Survey

O: Observation

The focus group and individual interview data were transcribed, and processed and analyzed through Transana software system. In addition to this method, the researcher's initial "reflections" notes compiled immediately following each session (focus group, interview, and/or observation) were also considered in the analysis and in the assignment of the final ratings for each board. Each review utilized the following steps: transcribe, code, theme identification, description development, interpretation documentation, and final rating based on the theoretical model metrics (Creswell, 2009; & Krueger, 1994). Follow up emails and phone calls were made in order to confirm specific details of the

event and/or the organization (i.e., total number participating in the focus group/observation, size of board, and CEO tenure in the job).

Data from surveys were analyzed based on the Rosener Participation Effectiveness Matrix and converted into an overall rating modeling the Charity Navigator metrics and formula. This process was designed by the researcher in order to maintain consistency in weighting and in building a relational model for testing the Nonprofit Performance Paradigm theory (Exhibit 5).

In order to test the relationship between the Charity Navigator organization ratings and the Board Effectiveness ratings the following statistical methods were employed using Stata: generation of Descriptive Statistics, Correlation, and Chi-square. These models were employed due to the low number of study participants and were the most appropriate for assessing the dependent relationship between low-rated nonprofits and the associated board member traits and high rated nonprofits and the associated board member traits. The results of these tests will be further explained in the results and conclusions sections.

Research Questions and Propositions

The integrated question addressed in this research was: How do focus groups, interviews, observations, and surveys with board members and nonprofit administrators help to identify how board member participation traits impact the efficacy of nonprofit organizations?

Several questions were considered:

- R1 What self-identified traits do board members bring to their service on nonprofit boards?
- R2 How do these traits contribute to the overall effectiveness of the board?
- R3 What do executive directors identify as the traits that board members bring to their service that contributes to their effectiveness?
- R4 Do board members describe traits that are more knowing or more agreeing?
- R5 Is there a difference between the board traits identified by board members in well-operated nonprofits versus those traits identified in poorly operated nonprofits?
- R6 Does the Participation Evaluation Matrix (Rosener, 1978) explain the relationship between the presence of certain board traits and the effectiveness of nonprofit organizations?

Based on the questions presented here, the following propositions are offered:

- P1 Nonprofit organizations that have boards that display high levels of Healthy Participation Traits on the Evaluation Matrix, have greater levels of effectiveness than those whose boards that do not display similar levels.
- P2 Effectively governed nonprofits will have board members and executives identifying similar “healthy participation” board member traits.
- P3 Ineffective nonprofit organizations have board members and executives who identify essential board traits that are far removed.
- P4 There is no relationship between high levels of “healthy participation” board traits and effective nonprofit organizations.

Summary

The research design and methodology were adhered to in order to answer the question: Is there a relationship between effective participation traits of board members and the effectiveness of nonprofit organizations? This research is based on two models (an existing one and one designed by the researcher for the purpose of this study) and a methodology that utilized focus groups, interviews, observations, surveys, and an existing data set. The goal was to better understand the relationship between what is self-reported and observed

and what is independently reported in relationship to board member effectiveness and the effectiveness of nonprofit organizations. It is believed that this research design and the methods identified support the ambition to achieve a new level of understanding in this regard.

Chapter 5 – Results

Introduction

The preceding chapters addressed the process for identifying and validating the research agenda, the theoretical framework, and the research design and methods. This chapter will present the analysis of the data collected and the results.

This research began with the question: Is there a relationship between effective participation traits of board members and the effectiveness of nonprofit organizations. The question sought to understand if knowledge and agreement among members of nonprofit boards on (1) the goals of the organization, (2) the responsibilities they have in assuring the achievement of them, (3) how their performance (as individual board members) is evaluated, and (4) the impact their effectiveness has on the performance of the organization have a relationship to the overall performance of the organization. A review of the literature on nonprofit organizations and boards revealed a modest amount of research linking board performance to nonprofit performance. Further study discovered the existing literature that addressed the link between board performance and nonprofit performance did not look at the more generic indicators such as the board's level of knowledge of the organization and their level of understanding of their role and responsibilities (often noted as one of the biggest challenges executives have with boards of directors³¹). Rosener researched these two indicators (organization knowledge and role agreement) in the late 1970s. Her research confirmed a relationship between board member understanding of the

organization's goals and their role in achieving the goals to higher levels of organization performance. Adapting this model to nonprofit organizations had yet to be considered. This research chose to follow a logic model that looked at board performance through Rosener's theoretical lens and compared the findings to an existing data set that rates nonprofit performance.

This research path included the use of several data collection techniques both qualitative and to a lesser degree quantitative. The analysis of these data will be provided in this chapter.

This chapter will first consider the population studied, the results of the data collection will be presented both on an individual/organizational level and in the aggregate, and the chapter will conclude with summary responses (based on the data analysis) to the six research questions posed and the four propositions put forth in the research design.

The results of this research give initial evidence to the importance of considering the impact board members (1) knowledge of and ability to clearly articulate the goals of the organization, (2) understanding of their role and responsibilities towards the achievement of the organization's goals, and (3) agreement on the metrics and process utilized to evaluate their performance as board members to expand current methods for evaluating the performance of nonprofit organizations. More work in this area needs to be done; however, this research offers a starting point at a new level of discourse on the nonprofit board's impact on the performance of the organization. These observations will be considered in this context in the concluding chapter– Chapter 6.

Overview of Study Participants

Of the fifty organizations selected through a purposive sampling process fifteen responded affirmatively. At the conclusion of the research project only ten organizations were eligible to be included in the study due to insufficient participation rates. A total of 113 individuals participated in the study out of a potential pool of 216 board members (refer to Table 4 previous chapter) this represented a 52% participation rate. The study group consisted of four Special Olympics organizations, four YMCAs, and two Jewish Community Centers (see Appendix 5 for detailed descriptions). The data was collected through surveys (all 113 participants), interviews (all ten CEOs), a select number (4 organizations) participated in focus groups, and four organizations agreed to be observed. The combined results of each of these methods are reported below (Table 5).

Table 5 – Combined Results

Organization	CEOT	TOTP	BDS	BUD	CNR	RPR	NPR
1	20	10	25	11	3	2	3
2	5	10	28	8	3	2	3
3	3	9	15	2	3	2	3
4	5	10	30	16.5	2	1	2
5	5	5	15	4	2	2	2
6	15	19	20	5	2	1	0
7	18	25	27	40	3	4	4
8	10	6	20	7	2	2	3
9	14	14	20	5	3	3	3
10	8	5	16	5	2	0	1
Mean	10.3		21.6	9.35	2.5	1.8	2.4
Total		113	216				

Ceot: Tenure of Executive Director in current job

Totp: Total number of board members participating in the study

Bds: Total Number of Board Members

Bud: Organization's Total Budget

Cnr: Charity Navigator Star Rating

Rpr: Rosener Participation Star Rating

Npr: Nonprofit Performance Star Rating

Qualitative Results – Individual Organizational Level

In this section the results are presented at the individual organizational level. The relationship of individual organizational scores on the Rosener Participation Matrix will be compared to the Charity Navigator scores. First the participants, executives, their organizations, and board members are considered. The executive directors of each of the participating organizations were interviewed and each completed the survey. Their perceptions as to the core mission areas of their organizations and the responsibilities that board members have in assisting in the achievement of these core mission areas will be disclosed. In the second part of this review the individual boards are profiled and the results garnered from the data collected on board participation effectiveness will be presented. The data collected from focus groups and surveys will be compared to the responses received from the corresponding executive director and the results of scoring the level of board participation traits based on the Rosener Participation Effective Matrix will be offered. In the final section the individual organizational results will be presented and the relationship between the Charity Navigator scores and the Rosener Participation Effectiveness scores will be put forth.

The CEOS

The executives who participated in this study did so though completing the survey and being interviewed. The interview focused on the four questions in the survey (Appendix 1). The goals were to: (1) identify the core mission areas of the organization, (2) establish the three major duties of the board, (3) identify the

method (s) used to evaluate board members, and (4) to determine whether or not the executive viewed board participation as key to the successful achievement the organization's core mission areas, and if so, how. By using two methods (interview and survey) the data obtained in each was compared, summarized, and helped to validate the response. Before summarizing the findings on each executive, a profile of each individual will be provided.

The majority of the ten executive directors participating in this study described below are all white, 80% male. All executives have had long careers (>10years) in the organization, and have a relatively high tenure (see Table 6) in their current position (>10years).

Executive 1 – Has thirty-five year tenure with the organization and twenty as CEO, white male, no other professional experience outside this organization.

Executive 2 – Has been the executive for five years, white female with other nonprofit leadership experience.

Executive 3 – Three years as CEO career professional within the organization, white male

Executive 4 – White male, career professional in same organization, five years as CEO

Executive 5 – New to the organization, private sector experience, five years as executive director, white male

Executive 6 – White male, career professional in same organization, fifteen years as executive director

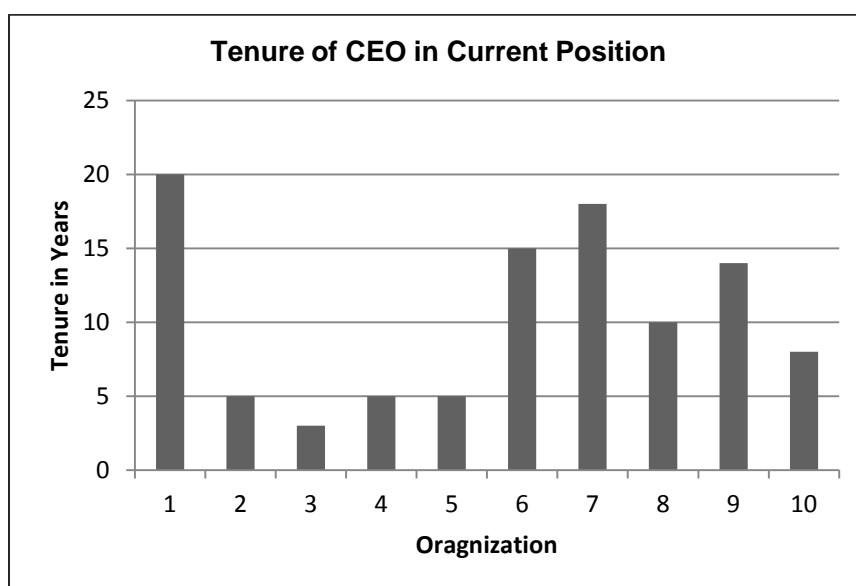
Executive 7 – Career professional, eighteen years as executive director, white male

Executive 8 – White female, career professional, ten years as CEO

Executive 9 – White female, thirty-year career professional, and fifteen years as CEO

Executive 10 – Career professional, white male, eight years as executive director.

Table 6 – CEO Tenure

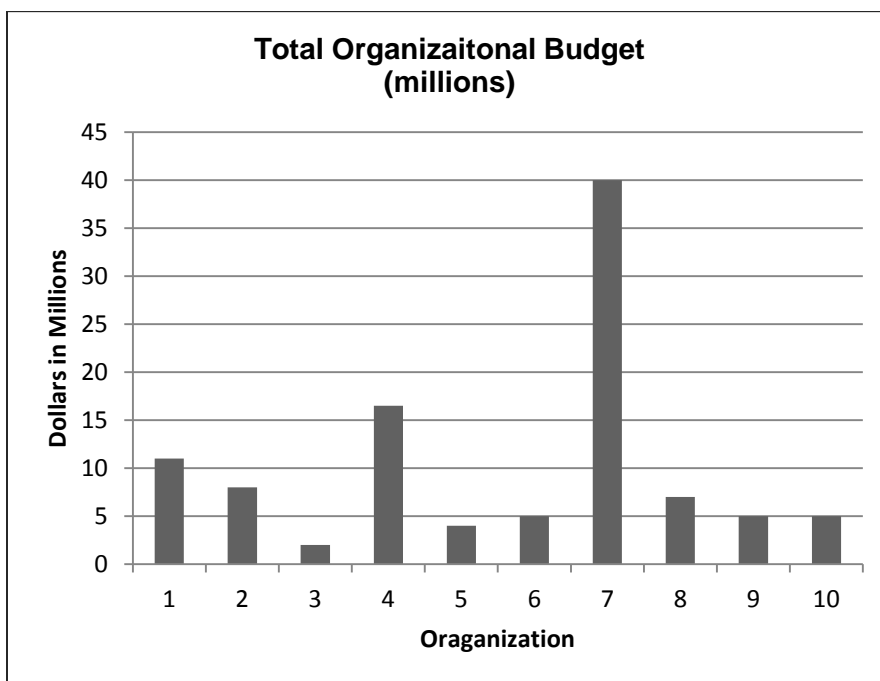


It is interesting to note that in a 2002 study of nonprofit organizations in Upstate New York (Onondaga County), 52% of the 331 nonprofits surveyed were led by females with an average tenure of 9.5 years. In terms of salary, female executives earned 12% less than their male counterparts

(Dwyer, 2002). The sample studied in this research mirrors the results of this 2002 study.

In terms of budget size, the organizations participating in this study operated organizations with budgets as high as \$40m and as low as \$2m with an average budget of \$9.35m (Table 7). This study did not examine revenue diversification and its relationship to the research question.

Table 7 – Organization Budget Size



The data collected from the interviews and the surveys established the following key metrics that were used as the baseline to evaluate and score individual board member responses.

Regarding core mission areas the majority of the responses as seen in Table 8 fell into three broad categories depicting the organization's core mission areas: (1) the specific service to a particular constituency: "sports training, health advocacy, education", "youth development, healthy living, and leadership development"; (2) outreach to the community through public image building, advocacy, and promotion "changing the perception of the capabilities of persons with intellectual disabilities"; and (3) the organization's values (inclusion), "infuse Jewish values, culture, and joy...", "social responsibility".

Table 8 – Core Mission Areas

Executive*	Service	Outreach	Values
1	At Risk Youth	Serve All People	Develop Values
2	Camping	Health	Education
3	Sports Training	Health Care	Community Integration
4	Build Culture	Enhance Health, Mind, Spirit	Inclusive
5	Sports Training	Health Advocacy	Education
6	Sports Training	Health Advocacy	Community Integration
7	Youth Development	Healthy Living	Leadership Development
8	Youth Development	Healthy Families	Social Responsibilities
9	Youth	Health	Inclusion
10	Sports Training	Competition	Inclusion

*Executives (1-10 represent the organization) identified the three core mission areas (purpose) of their organization

When considering the individual executive's response (as presented in Table 8) and then examining the specific core mission areas they had in common, five specific categories were identified: youth, values, community, sports, and health (see Table 9). Although the individual organization's programs

related to each of these core mission areas varied, they shared the common goals as illustrated in Table 9.

Executives more often identified core mission areas specific to program delivery and outreach than core mission areas that addressed the values of the organization. The most specific reference to a value-based mission was given in these statements: “we focus on strengthening the foundations of community through programs that focus on youth development, healthy living, and social responsibility...” “We build character through being inclusive; developing the spirit, mind, and body of all persons, regardless of means and backgrounds”. In another organization this statement of inclusion was a core mission area, “(we) represent an entry point into a community that accepts and respects diversity among Jews as well as people of all races, creeds, nationalities, abilities, and disabilities” (see Table 9).

Table 9 – Common Core Mission Areas

Executive	Youth*	Values*	Community*	Sports*	Health*
1	✓	✓	✓		
2	✓				✓
3			✓	✓	✓
4		✓	✓		✓
5				✓	✓
6			✓	✓	✓
7	✓	✓			✓
8	✓		✓		✓
9	✓		✓		✓
10			✓	✓	

*Definitions of Core Mission Areas: Youth - all youth including at-risk; Values – leadership development and building culture; Community – inclusion, social responsibility, and serving all; Sports – training and competition; Health – healthy living, and advocacy for health care

When asked to identify the three most important board responsibilities executives identified duties which could be grouped into three categories: (1) donors to the organization and seekers of funds for the organization, (2) legislators who use their professional experiences and skills and their understanding of the organization to set policy, oversee its implementations, and to be strategic thinkers for the organization, and (3) spokespersons for the organization in the community (see Table 10). The responses to this question reflected a higher level of commonality among the organization's executives in one particular area. There was close to unanimous agreement that boards had a primary responsibility for legislating, however, the definition of this responsibility by each executive was somewhat varied.

Table – 10 Board Responsibilities

Executive	Donate*	Legislate*	Promote*
1		✓	✓
2	✓	✓	
3		✓	
4		✓	✓
5	✓	✓	
6		✓	
7	✓	✓	✓
8	✓		✓
9	✓	✓	
10	✓	✓	

*Donate: to contribute money to the organization; Legislate: govern, set policy, problem solving, and strategic planning, and oversight; Promote: advocate, participate, and care

The specific responses are detailed below:

1. Board Responsibilities:

Executive 1	Strategic Planning
	Financial Stewardship
	Advocacy
Executive 2	Resources
	Governance
	Fiduciary
Executive 3	Participate
	Solve Problems – Set Policies
	Secure Contributions
Executive 4	Care about the organization
	Be Loyal
	Uphold the mission
Executive 5	Fund raise
	Donate
	Oversight
Executive 6	Counsel the CEO
	Raise funds and look after them
	Make policy
Executive 7	Make a financial gift and secure gifts
	Advocate for the Organization
	Oversight – Fiduciary, Statutory, Strategic

Executive 8	Donate
	Secure Donations
	Advocate
Executive 9	Fiduciary
	Planning
	Donate
Executive 10	Financial
	Governance
	Skills

Comments from executives illustrating the most frequently mentioned statements include: “[board members are expected to] contribute unique skills (finance, media, etc.) [In] areas where they can best help us accomplish our mission”, “counsel and advise the CEO in a frank and confidential way”.

The question most challenging for executives to answer related to board member evaluations. The responses, however, were the most consistent of the four questions posed to the executives with the majority reporting that they do not have an established process for evaluating board members (Table 11).

Table 11 – Board Evaluation Process

Executive	YES	NO
1		✓
2		✓
3		✓
4		✓
5	✓	
6		✓
7		✓
8		✓
9	✓	
10		✓

The specific responses are indicated below:

2. Method for Evaluating Board Performance

Executive 1	Not consistently conducted
Executive 2	Results and outcomes
Executive 3	Not conducted
Executive 4	No measurement tool
Executive 5	Measured against signed agreement
Executive 6	No formal evaluation process
Executive 7	Poorly evaluated, nothing formal
Executive 8	Level of engagement

Executive 9 Governance Committee tracks key performance metrics and reports annually to the board

Executive 10 Periodically evaluate the board

They all agreed that this area (board member evaluation) was their most urgent board issue that needs to be addressed. A few comments that illustrate both the concern and the complexity of this issue include the following: “[the reality is] if we need their money and we need their diversity they stay on the board”, “the board is usually assessed as a group by the board development committee [nominating committee], “[this is a weak area] board members not performing are evaluated off of the board, their term is not renewed, we need expectations set up front”, “we really do not have a measurement tool, other than anecdotal/observational feedback...” “We periodically assess...” and “it’s not”.

Only two (35, #9) of the ten executives indicated that they have a process in place that establishes board member performance expectations and provides an annual evaluation for each member. One executive stated: “Board members sign a board member expectation agreement each year. They are then measured against that agreement”. “The Board Governance Committee tracks engagement, attendance, giving, and other key performance measures and shares a report card annually with the board”. This suggests that the “report card ” may be in an aggregated format and that individual information is used to privately counsel board members to either improve their performance or step off the board.

The confusion and frustration surrounding this particular indicator (agreement on how individual board members are evaluated) of effective participation on the part of the executives suggests that board members will display low levels of agreement in this area.

The fourth and final question asked executives whether or not they believed the participation of board members impacted the effectiveness of the organization. They were unanimous responding that the board impacts the effectiveness of the organization. When asked how the board impacts the effectiveness of the organizations, executives described the impact within three categories: achieving mission, securing financial success, and enhancing the organization's credibility in the community (see Table 12).

Table 12 – Board Impact on Organization Effectiveness

Executive	Yes	Mission*	Financial*	Credibility*
1	✓	✓		
2	✓		✓	
3	✓		✓	
4	✓	✓		
5	✓			✓
6	✓			✓
7	✓	✓		
8	✓			✓
9	✓	✓		
10	✓	✓		

*Mission is defined as achieving the organization's goals, achieving the strategic plan, and setting direction; Financial is defined as achieving or exceeding the budget and/or fundraising goals; Credibility is defined as building respect in the community, professionalizing the organization, and being viewed in the community as relevant.

The detailed summaries are below:

3. Board Impact in Achieving the Organization's Mission and How

Executive 1	Yes – helps to achieve organization's goals
Executive 2	Yes – participation impact the bottom line
Executive 3	Yes – achieving fundraising goals
Executive 4	Yes – board members set the direction
Executive 5	Yes – it professionalizes the organization
Executive 6	Yes – Builds community respect for the agency
Executive 7	Yes – they advance the mission with the CEO
Executive 8	Yes – more engagement more relevancy
Executive 9	Yes – achievement of the strategic plan
Executive 10	Yes – accomplish our mission

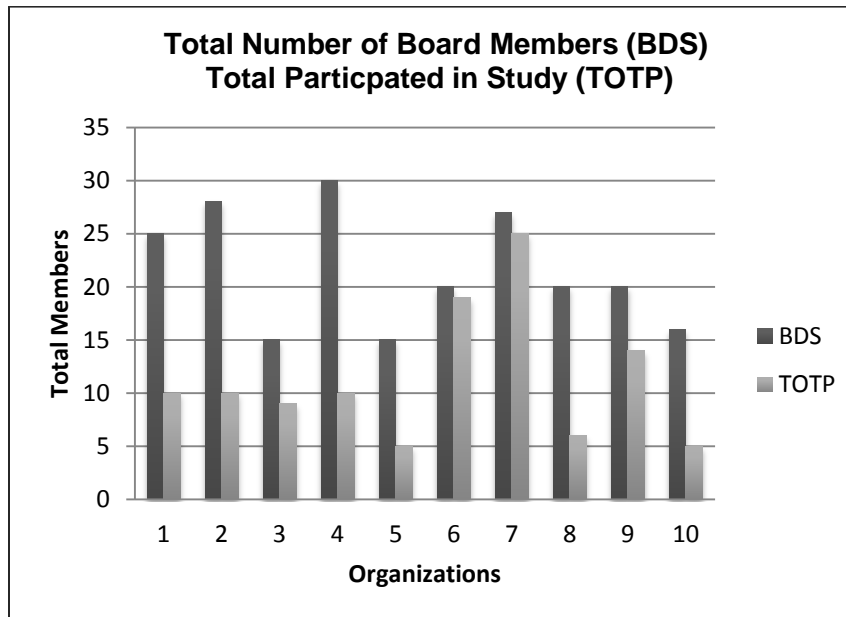
The answers from all executives were affirmative. They indicated that an effective board impacts the effectiveness of the organization and the achievement of its mission. While their levels of agreement on the specific duties (responsibilities) of the board were not consistent, without an effective board (the achievement of the board's responsibilities), they all seemed to think that the performance of the organization would be compromised.

Summary

The responses provided to each of the four questions (mission priorities, board responsibilities, board evaluation, and board impact on organization effectiveness) by the ten executives who participated in this study as detailed above created the baseline to which the aggregated responses from the ten participating boards were measured in order to calculate a participation effectiveness rating based on the Rosener Participation Effectiveness Matrix (see Figure 1). Questions 1 and 2 assess the level of board knowledge and questions 3 and 4 assess the level of board agreement with the answers from the organization's executive director as the base from which the scoring was made. The greater the deviation in answers between the executives' responses and the aggregated board response, the lower the score: (for question 1 and 2 the total maximum points = 35), (for questions 3 and four the total maximum points = 35), with a total maximum score of 70 (consistent with Charity Navigator scoring methodology – see Exhibit 5).

The Board Members

Using the survey or focus group method, 113 individual board members participated. This represented 52% of the 216 active eligible board members from the ten organizations that participated in this portion of the study (see Table 13).

Table 13 – Total Board Members and Total Board Members Participating

Each group of board members was asked to provide answers to the four questions posed to the executive directors (Appendix 1). The answers were audio recorded (focus groups) or submitted via email (survey format) to the researcher. Through the use of Transana and an informed transcription approach (Creswell, 2009; & Kruger, 1994) common and most frequently cited responses were coded and aggregated into scores related to board knowledge and agreement levels based on the formula detailed in Exhibit 5. A summary of the findings will follow a brief descriptive of the boards that participated in the focus groups.

Demographic data on each of the ten boards was not collected due to the nature of the collection methods. The four boards that participated in the focus groups were scanned by the researcher and found to be (based on appearance)

composed of mostly middle-aged males (45-55 years old) and with little racial diversity. Only one board had a client representative serving on the board.

The results of the focus group/survey data collection are detailed in Table 14 (see Columns RPK and RPA).

Table 14 – Organizations Scores (Whole Numbers)

Organization	CNF	CNAT	CNT	RPK	RPA	RPT	NPR ³²
1	55.20	59.00	56.96	70.0	36.00	46.00	55.75
2	61.19	51.00	55.19	56.00	42.00	47.90	51.19
3	63.78	55.00	58.51	70.00	42.00	52.20	53.81
4	37.80	55.00	44.85	56.00	21.00	36.79	40.55
5	42.38	56.00	48.10	35.33	58.33	44.23	44.09
6	42.39	60.00	49.23	49.00	21.00	28.59	23.77
7	61.71	56.00	58.49	58.75	62.50	60.43	60.00
8	38.68	70.00	45.23	58.33	32.66	42.34	44.00
9	48.64	55.00	51.54	52.50	55.00	53.70	53.18
10	44.55	51.00	47.54	14.00	7.00	12.10	26.02

CNF- Charity Navigator Financial Health Score

CNAT - Charity Navigator Accountability and Transparency Score

CNT – Charity Navigator Total Score

RPK –Rosener Participation Knowledge Score

RPA – Rosener Participation Agreement Score

RPT - Rosener Participation Total Score

NPR – Nonprofit Performance Score

Board members responses to each of the four questions were rate on a scale of 0-35 based on the percentage of consensus (with each other and with the CEOs answers) noted in the transcriptions or in the surveys. K1 was noted as the first question on board knowledge. Board knowledge referred specifically to the organizations core mission areas as identified by the executive director. K2 asked board members to identify three major board duties/responsibilities (the answers were rated as in K1). The total possible combined score for K1 and K2 equaled 70 points (consistent with Charity Navigator’s scoring). A1, the first of

two questions targeting the agreement indicator assess the board members understanding as to how their work is evaluated (using the same 0-35 scoring based on the degree of consensus between each other's answers and the executive director's answer). A2 sought to identify whether or not board members see their work as impacting the performance of the organization and if so, in what way (the scoring is similar to the other three questions).

The points assigned to each question was based on the percentage of board members who identified and/or voice agreement with the responses provided to each question as compared to the responses provided by the executive director, with a maximum of 35 points (in determining the level of consensus: VERY HIGH, HIGH, MODERATE, LOW, VERY LOW) for each of the four questions. Focus groups (whole number based on percentage) and for Surveys (mean scores) were calculated and rated according to the scoring grid below:

Focus Groups	Mean of Surveys	Rating
90-100% = 35 points	35 points	VERY HIGH
75-89% = 21 points	21-34 points	HIGH
50-74% = 14 points	14-20 points	MODERATE
49-25% = 7 points	7-13 points	LOW
> 25% = 0 points	0-6 points	VERY LOW

Table 15 provides a summary of the results for each of the ten participating organizations and is followed by a detailed analysis.

Table 15 – Rosener Ratings by Organization

Organization	K1	K2	A1	A2
1	3	3	2	3
2	3	3	2	2
3	4	4	0	4
4	4	2	0	2
5	3	3	3	4
6	4	3	0	3
7	3	3	3	4
8	3	3	0	3
9	3	3	3	3
10	0	0	0	0

Knowledge - K1: Core mission areas; K2: Board responsibilities;
Agreement - A1; Board evaluation; A2: Board impact on organization effectiveness

Very Low = 0

Low = 1

Medium = 2

High = 3

Very High = 4

Organization 1

K1 **Vey High**

K2 **Very High**

A1 **Moderate**

A2 **High**

This organization's board scored the highest in the areas of knowledge. They understood and identified the key mission areas and displayed high levels of consensus in the area of board responsibilities. Some responses which speak to both the core mission areas and board responsibilities that were mentioned most frequently by board members include the following: "...reaching out to the

youth of our [city], providing programs for them, services for them, educational as well as fitness”, “we are for everyone, whether you can or you cannot afford [it] ...”. Setting expectations for individual board members seemed to be set forth to prospective members in the recruitment process: “...first we don’t allow anyone on our board without being fair to them and giving them what our expectations are which include a time commitment...financial expectation to give at least \$1,000...and attendance at our events....”.

The board received lower scores in the area of agreement. The lowest score received was in board evaluation. While they knew they were evaluated, they had no knowledge of how this was accomplished. As one board member aptly stated: “if you’re still around [serving on the board], then you are probably OK”. The board displayed a higher level of consensus when asked to describe how their work impacted the performance of the organization. In summing up the way in which the board impacts the organization this board member stated: “I think the biggest reason we are successful is because we have expectations ... we have always asked people to help and to be involved”. Another board member believed that disagreement within the board helps to make the organization successful because it stimulates in–depth analysis and a vetting of decision options before they are made, which in turn drives better decision making, “ I think the other big piece that I feel is also having been on other boards and something that’s here is a lot of respect for disagreement, there’s not a lot of pressure to be necessarily unified, we like to be unified but we really respect if there are people who have different opinions and we really listen and I

think one of the things that's been very strong during my time here is almost overextending the opportunity for people who disagree to discuss, but that makes it so that it really does feel like a team decision when it is made". The theme of respectful disagreement and consensus decision making resonated among a majority of members as well as in the interview with the executive director. Skillful group work on the part of the executive and encouragement of board members to speak honestly (a role that the board chair plays) even when a board member's view may be in the minority seems to be generating (on the part of the board) a sense of fulfillment of their responsibility as a board. Does encouraging disagreement strengthen the board's decisions and sense of fulfillment?

Organization 2	K1	Very High
	K2	High
	A1	Moderate
	A2	Moderate

This organization scored the highest on the knowledge indicators. The board was able to articulate the mission areas consistent with those identified by the executive director with a high degree of consensus. In terms of core mission areas, this statement is an example of the boards' response: "As a center, a congregating place, a place where the community comes together". "We provide education [focused] in the [xxx] tradition..." In the area of board responsibilities, the board evidences a moderate degree of consensus on the key responsibilities with some focusing more on the supervision of the management team (this could be related to the short tenure of the CEO). Some statements in support of the

key board responsibilities included: “Being ambassadors”, “being representative of the community”, “to plan for the future”, “participating in the events”, “strategic thinking for beyond just today... to support the management...solicit funds”.

The agreement indicators, as a whole were more weakly defined and shared less of a consensus particularly in the area of board evaluation methods: “Evaluated? I don’t know there, is not a formal process. I think at some point if your term is up and then you get a letter saying thanks for all your service, or a plaque; [this] kind of gives you a hint”. “We each do our own self-evaluation whether we do it intentionally or not. I think instinctively we know if we’re fulfilling our commitments by the amount of time and effort we are putting in on the committees we’re involved in, on the events, on the financial support that we give to the best of our abilities”. But when discussing the impact the board has on achieving the organization’s mission many indicated a strong sense of representation as being key to the success of the board and to the success of the organization. “I would say that it’s important for the total membership to know [that there is] an oversight group that it is not just a couple of employees that are running the place. If there is someone [the board] that represents the main population, their needs and their problems, [bring them] forward and pushes them. If it were strictly a business sort of relationship without a board, membership would fast get upset about things”. “I think a passion of representing because [of] other[s] we don’t get paid here”. “The board is the organization”.

Organization 3	K1	Very High
	K2	Very High
	A1	Very Low
	A2	Very High

This organization's board displayed high levels of consensus on the goals of the organization and on the responsibilities of individual board members. The board as a whole clearly articulated the core mission areas as identified by the executive director. Board members statements included: " [We] provide year-round sports training and athletic competition in a variety of Olympic-type events for child and adults with [intellectual] disabilities", "Through non-sports programming [we seek to] provide broad community support", Health care and health education for our athletes". And with a similar level of consensus between each other and with the responsibilities identified by the executive, many board members identified the following as important board responsibilities: "Work, wealth, and wisdom", "Commitment, participation, and energy", "Policy making...actively participate...provision of necessary funds...increase public awareness".

The aggregate score on the agreement indicators was moderate to low with the lowest score attributed to the board's understanding of and consensus on how their work is evaluated. Often board members identified more subjective measures when attempting to articulate how their performance is evaluated: "Via the quantity and quality of participation in board meetings". Others were clear that this area is of concern to themselves and to the board at large: "It's not",

“This approach is new for our organization, however I don’t ever recall any formal or informal ‘measurement’ being completed ...this has been [my] experience over the at least seven years”, “currently there are few tangible, measureable performance standards. This is being addressed by the board”.

In reviewing the comments related to the last question on impact, the board was clearly in agreement with the executive’s description of board impact. They displayed a high level of consensus regarding this with each other:

“Absolutely! Contributions made by more than one person [board member] will have an impact; therefore each board member has the opportunity to increase the effectiveness [of the organization]... Likewise, if all you do is come to board meetings and do not participate on any other level, you can decrease the board’s effectiveness in that you’re not engaged and [this] requires other to duplicate efforts and continually exhaust their efforts to try to engage you beyond [attending] meetings”. “A more engaged board provides more support to the organization...and [as a result] the organization is able to deliver more program and programs of higher quality”

Organization 4	K1	Very High
	K2	Moderate
	A1	Very Low
	A2	Moderate

This organization displayed a very high level of unanimity when describing the major mission areas. The responses which demonstrate this included: “... we strive to instill values which support our mission, strengthen the community, and

improving the health and well being of our members and the larger community”, “providing services to those in need and educational programs for youth and adults”. These comments were consistent with the executive director’ answers demonstrating a high level of knowledge and consensus on the organization’s primary purpose(s). There was a moderate degree of consensus regarding the board’s responsibilities in helping to achieve these goals. There was a divergence of understanding of the boards’ role primarily in the area of fiduciary and representative responsibilities. “Represent the larger community”, “monitor and approve programing”, and “ensuring that the agency is optimally staffed” were often stated. These statements were counterbalanced with statements that were more focused on the fiduciary responsibilities of the board (more inline with the executive’s statements): “ ...protect the financial health of the organization”, “... to act in good faith for the good of the organization”, and “ act as a fiduciary (challenge assumptions and assertions) to ensure ability to advance [the] mission”.

In responses of board members to the questions on evaluation and impact were much less consistent when compared to their answers to the knowledge questions. In the area of evaluation the executive director stated: “we really do not have a measurement tool [for evaluating board member effectiveness], other than anecdotal/observational feedback”. This statement was mirrored in the responses which board members provided: “I am not aware of any metrics which measures board member performance beyond attendance [at board meetings] and participation in programs”. One board member commented on the impact of

not having an evaluation tool; "...with basically no consequences for poor performance...no one is ever asked to leave or not invited to renew a term on the board", "...there is no accountability", and "it should be but it is not".

The executive described the board's impact on achieving the organization's mission very succinctly: " Board members make critical decisions for our agency regarding strategic direction and policy. They also serve as our communal ambassadors, an extremely important role in helping us promote the agency; recruit financial support and create collaborations". Most board members shared this perspective, however not unanimously: "if lay leaders don't set priorities the professionals shall...", "we control the top levels of professional staffing and we can control the financing", and "...guide the direction of the organization and/or help manage the day to day functions...". These comments identify a possible divergence from the core aspect of insuring good governance and display an imbalanced understanding of how the board impacts the results.

Organization 5	K1	High
	K2	Moderate
	A1	High
	A2	Very High

The level of knowledge the board displayed relative to core mission areas was high. The mission of this organization is very clear; sports, health, and education. Not all board members were clear in defining these three mission areas. As an example of some confusion, one board member cited fundraising as a core mission area. Knowledge of specific board responsibilities was varied

among board members although the organization utilizes a board member performance evaluation process.

This organization has a very structured board performance measurement system in place. There was an inconsistency between what the executive identified as the individual board member responsibilities with those identified by the board members. This will need further investigation, however, it can be speculated that the assignment of board expectations may be done on an individual basis and therefore the responsibilities evaluated vary from board member to board member, while the performance evaluation process is conducted fairly consistently and is well known by board members. As one board member stated: "We have an annual board member assessment which must be completed and updated at years end along with a two page statement of commitment" as compared to another who responded "please define further". The board as a whole has a high level of consensus on how their involvement impact the performance of the organization with many addressing the value of "due diligence" that was not frequently mentioned as a major board responsibility. In explaining the board's deliberation on a major decision, this board member summed up the value of the board and its impact on the organization's performance: "...[our board] discussions remain [remained] collegial, they raised and vetted concerns and risks on both sides of each issue, resulting in sound decisions where members on both sides of the issue felt they had helped perform the needed due diligence".

Organization 6	K1	Very High
	K2	Medium
	A1	Very Low
	A2	High

The board displayed a very high level on consensus on the core mission areas of this organization. The mission statements were clearly posted on their nameplates and positioned directly in front of each board members seat at the conference table in the room the board meeting was conducted. They displayed a lesser degree of consensus with regard to their specific responsibilities. Their comments regarding board responsibilities ranged from helping out at community events to assisting with executive management. "I would say being I'm a new board member, I wish I had time to do more of this, I'll probably do [more] next year, helping with community events, executive management feedback on how things are going" was a comment from one of the board members. "I work with the media...so I think this helps promote the organization", from another member. And from another: "we are always looking for, you know, could the venue be better, we don't sit on our success". At the same time a board member suggested: "our role in governance is to make sure we know what is going on at all levels..."

Agreement on how they are evaluated was the lowest rated indicator. According to the executive there is no formal process. Board members as well as the chair found this question to be the most challenging to answer often citing feedback from the users of their service: "physical feedback they give us", the

“the quality of the events we sponsor”, and their general motivation to serve as a board member: “ I don’t think that we serve on the board because we were asked to serve on the board alone. We serve on the board because we want to serve on the board and to participate and be active in the organization”; as indicators as to how they are evaluated. One member simply stated: ‘we don’t get fired’. When asked to assess whether or not their service on the board improved the performance of the organization a member of the board who represents the clients made this statement: “I feel like when I first started in [the organization] changes had occurred within the terms of [the organization] because we might be used to doing certain things long-term so when the changes came and how we [the clients reacted] adapted to the changes we knew that the people [the board] were looking out for our interests and it was working for us and working for them”. When hearing this statement from a client, the board became silent and one member said: “it’s an honor to help this organization. We have seen what good it has done for the folks [we serve], for the families, and for the community, so it is an honor to be here”.

Organization 7	K1	High
	K2	High
	A1	High
	A2	Very High

Unlike the other organizations in this study this board scored consistently high in each of the four participation indicators. The two questions related to knowledge the board displayed a higher level of agreement when asked to

identify the core mission areas. The simplicity of the mission statement: serving kids, community, and families through healthy living, leadership development, and social responsibility may be a factor in driving this high level of consensus. As one board member stated: “nurturing the development of every child, improving our community’s health and well-being, and giving back and providing support to our neighbors.” “Active participation at the board and committee level, providing financial support through giving generously and encouraging others to do the same, and promoting [the organization] in the community” is an example of what most board members described as their major responsibilities. In addition, board members often noted strategic planning and fiscal oversight as important board responsibilities. These responses were at a high level of consensus among board members and in congruity with the executive’s view of board member responsibilities.

Although the executive director did not feel that there was a clear process for evaluating board members, a majority of board responses indicted otherwise. “The CEO and board chair conduct the evaluation” and “Engagement and participation in various facets of the organization from fundraising to capital projects is monitored. The president and staff monitor the level of involvement of each board member and determine if continued membership is in the best interests of the organization”. These statements are in sharp contrast to those of the executive director: “[The board is] poorly evaluated, there isn’t anything formal”, “If you need their money and need diversity they stay”. It appears that the board feels the executive is in control of the evaluation and if there is a

perception on underperforming (on the part of the executive) then they are not invited to continue to serve on the board. The board displayed the highest level of consensus when answering the question: “Do you believe individual board member performance impacts the effectiveness of the organization?” “In fundraising, donors are more likely to contribute when the board is a willing and generous contributor. As visible volunteers, what we say about the organization can have a significant impact on its reputation in the community. Board members can bring valuable expertise in their particular industries to the organization”.

Organization 8	K1	High
	K2	High
	A1	Very Low
	A2	High

In this organization the knowledge factors were clearly the strongest participation traits of board members. Board members had a clear understanding and a high level of consensus on the major mission areas of this organization: “kids, families, and community”. This area, however, was not the strongest in term of level of consensus and knowledge. This board had a clear understanding of their responsibilities closely aligned to those responsibilities identified by the executive director: “get the message out to the community [advocacy], identify leaders who will participate in raising money... be active in setting policies for the organization and take that oversight very seriously”. This statement captures the

majority of responses from board members with regard to their primary responsibilities.

When assessing the board's level on the agreement traits relative to how their work is evaluated and as to whether or not their efforts have an impact on the effectiveness of the organization, the consensus moves to a lower level particularly in the area of evaluation. In terms of evaluation, while the executive director indicated that the performance of board members is measured in "active engagement and the number of contacts they [board members] make ...around fundraising, advocacy, and collaborations"; the board did not have this understanding. Most board members comments are reflected this one: "It is not directly measured, but should be. We need a better process for removing ineffective and non-participating members of our board". Another board member offers this perspective: "I think as a whole, our Board feels to be a little passive. There are a few key individuals who are passionate... and bring energy to the Board... others come to the meetings and lend their support where they can, but don't have the same energy or...commitment". This statement indicates that a lack of an effective evaluation process is driving an unequal distribution of responsibility that in the long term may have a detrimental impact on the organization. The majority of board members did, however agree that their efforts do impact the effectiveness of the organization; "as an engaged, active board member makes a big difference in getting things accomplished..." and "the more engaged board members are the more relevant the [organization] is [viewed] in the community".

Organization 9	K1	High
	K2	High
	A1	High
	A2	High

This organization's board is one of two in this study that scored high in each of the two categories and in each of the four specific areas assigned to knowledge and agreement. The highest score was attributed to the area of consensus on board responsibilities with the low-high score in the area of evaluation.

The board has a clear understanding of the organization's core mission areas: "youth development, healthy living, and social responsibility". The executive cited inclusion and character development as core mission areas; however, the executive did not as frequently mention these two areas as were youth work, social responsibility, and healthy living, also noted as key goals. In the area of board responsibilities, the board clearly understands their duties: "fiduciary, strategic direction, and philanthropy", "[we] are advocate[s] for [the organization] in the community – be its eyes and ear to talk up the story of the [organization] and how its work really matters".

There is a clear process established for evaluating the board members' performance: "The board governance committee is charged with producing a "report card" of each director's performance which includes attendance and participation at board meetings, committee meetings, tracks financial contributions to annual and capital funds and overall participation in the

organization which align with the mission and the cause. Some [measures] objective and some [other measures] subjective, but the tool is an effective way to have an annual review of each board member's involvement in the organization". The impact the board has on the organization's effectiveness was also identified with equal consensus: "the [organization] relies heavily on board members for developing and monitoring the strategic plan at the levels of major strategic objectives, goals within those objectives, and expected outcomes. This is a continuous process, the ongoing effectiveness of which is directly related to the active engagement and development of individual board members". It is clear that this organization has the healthiest participation traits of the study group.

Organization 10	K1	Very Low
	K2	Very Low
	A1	Very Low
	A2	Very Low

This organization scored the lowest on the participation effectiveness matrix. The board responses to the core mission areas were not consistent with each other's or in line with the executive's description. The executive's description was single focused while the board's descriptions of the agency' core mission areas were more robust. In the are of board responsibilities oversight, financial support, and service were identified by the executive but not reflected in the board members responses: 'further the vision of fairness and respect for all people', "grow the brand", and "Volunteer at events" were some of the responses which indicated a disconnect with the responsibilities identified by the executive.

There was also confusion on how the board may help to impact the effectiveness of the organization: “board members can use their knowledge to assist a non-profit organization with different, and sometimes, more current trends in business management” as compared to this comment: “accomplish the mission”.

Comparative Results

This section will conclude the examination of the individual organizational results by offering a comparative presentation of the whole score of each organization. This comparative presentation will include the reporting of the results from three sources: Charity Navigator Score (existing data set), Rosener Participation Effectiveness Score (scores based on the above evaluation), and the Nonprofit Performance Score (based on the combined scores of Charity Navigator and Rosener Participation Effectiveness).

The Scores

Table 14 (page 111) provided a summary of the three scores: Charity Navigator Rating (CNT), Rosener Effective Participation Rating (RPT), and the Nonprofit Performance Rating (NPR) (see note 30). This comparative presentation identifies five results related to the research questions and propositions from an individual organizational perspective:

1. RPT scores are lower than CNT scores
2. The RPT score related to agreement traits are much lower than the scores rating knowledge traits
3. Only two organizations (#7 and #9) scored higher on the RPT than on CNT

4. The star ratings tell less about the organization's effectiveness than the whole number scores
5. There appears to be a relationship between the CNT and RPT

Result #1: RPT scores are lower than CNT scores

The scores depicting board participation effectiveness (RPT) are lower (with the exception of organizations 7 and 9) than the scores assigned these organizations by Charity Navigator. This is a result of lower scores in the area of the participation "agreement" trait. Lack of high levels of effective participation traits lowers the performance scores of nonprofit organizations (NPR).

Result #2: RPT Agreement Traits are lower than RPT Knowledge Traits

Knowledge of the organization is high but evaluation methods are low. Few board members were able to articulate the way in which their contributions to the board are evaluated. Executive directors also indicated that they do not have an effective method for measuring board members performance to the established expectations. Seventy percent of all the organizations participating in this study (organizations 1, 2, 3, 4, 6, 7, and 9) had scores in the "knowledge" trait indicator that exceed their Charity Navigator total score, however, the low scores for agreement negatively impacted the total RPT scores for each of these organizations. Those organizations having agreement trait scores higher than their knowledge trait scores (organizations 5, 7, and 9) all had a system in place

for annually evaluating their boards. Board members were aware of the evaluation process and had a high degree of consensus when asked to describe the process. In organization #5, the board understood there was an annual review but found it difficult to articulate the specific responsibilities on which they are evaluated.

Result #3: Two Organizations Scored Higher on RPT than on CNT

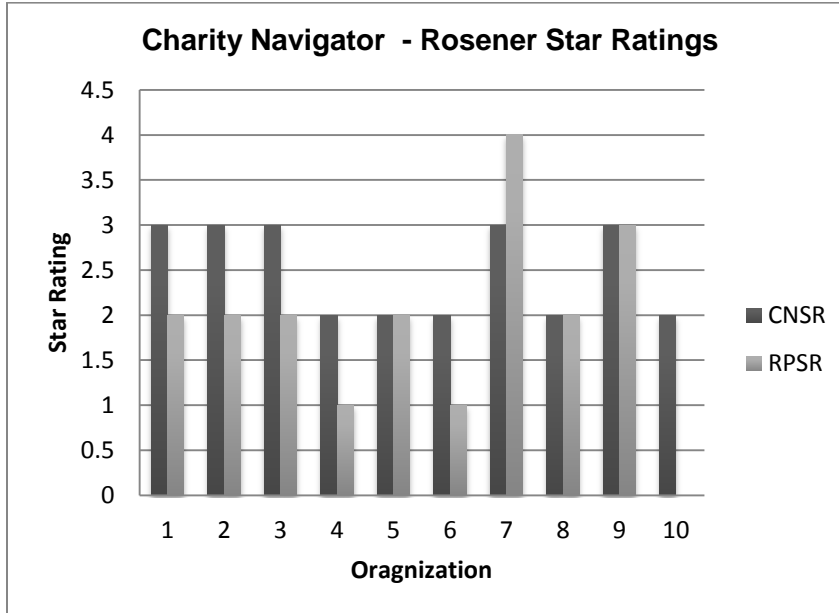
Two organizations (7 and 9) received Rosener Effective Participation scores that were higher than their Charity Navigator scores (7 = 60.43 v. 58.49; 9 = 53.79 v. 51.54). Agreement scores were the deciding factors in the higher score for these two organizations.

Result #4: The Star Ratings Have Less Explanatory Power than the Whole Number Scores

When comparing the explanatory power of the whole number scores to the four-star rating system the whole number scores provides a greater amount of information on each organization in three very distinct ways. First the whole scores provide (when in a graph format) a more visible picture of the degrees of separation each of the scores have to each other, offering a clear picture as to the size of the variation. For example: organization #5 appears on the star ratings chart (see Table 16) to be a consistently 2 star rated organization but when looking at the whole numbers graph (see Table 17) organization #5 has a better Charity Navigator whole number rating than the Rosener score. Comparing the

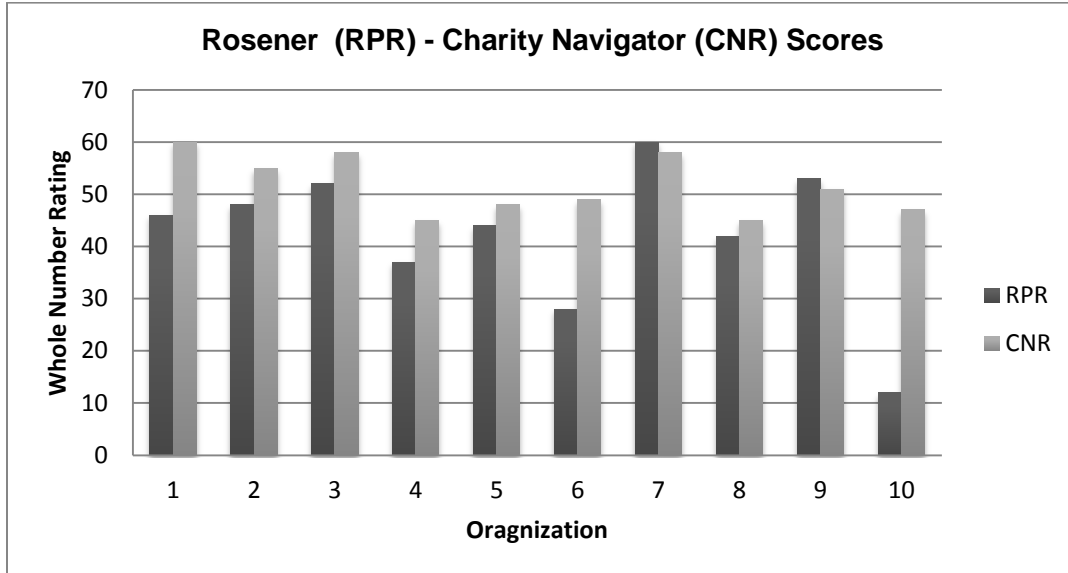
CNR and RPR star ratings (see Table 16) for organization #1 to the whole number scores (see Table 17) while they appear to be the same in Table 16 when considering the whole score in Table 17 you have a much different picture of the organization's ratings when comparing CNR to RPR. Second, whole number scores allow you to assess the difference between each sub-category of each score. In the example of organization #1, when looking at the whole number score for the RPR you can identify the whole number score for knowledge separate from agreement. This provides a clear picture of the strengths and weakens of the organization based on a sub-category review. The third and most important feature of the whole number scoring system relates to its utility as a mechanism to diagnosis problem areas and to create action plans for improvement. If in the case of organization #1, the total RPR score was lowered due to a very low knowledge score in the area of core mission (K1), then a plan to focus on educating the board on core mission area may be the best course of action. The star ratings do not afford this type of analysis for problem identification and remediation.

The star ratings do not allow in depth discovery of the boards level of understanding (of the organization, its mission, and the boards' role), engagement (how board members are selected, assessed, and required to participate), or accountability (how the board's work impacts the advancement of the organization's mission).

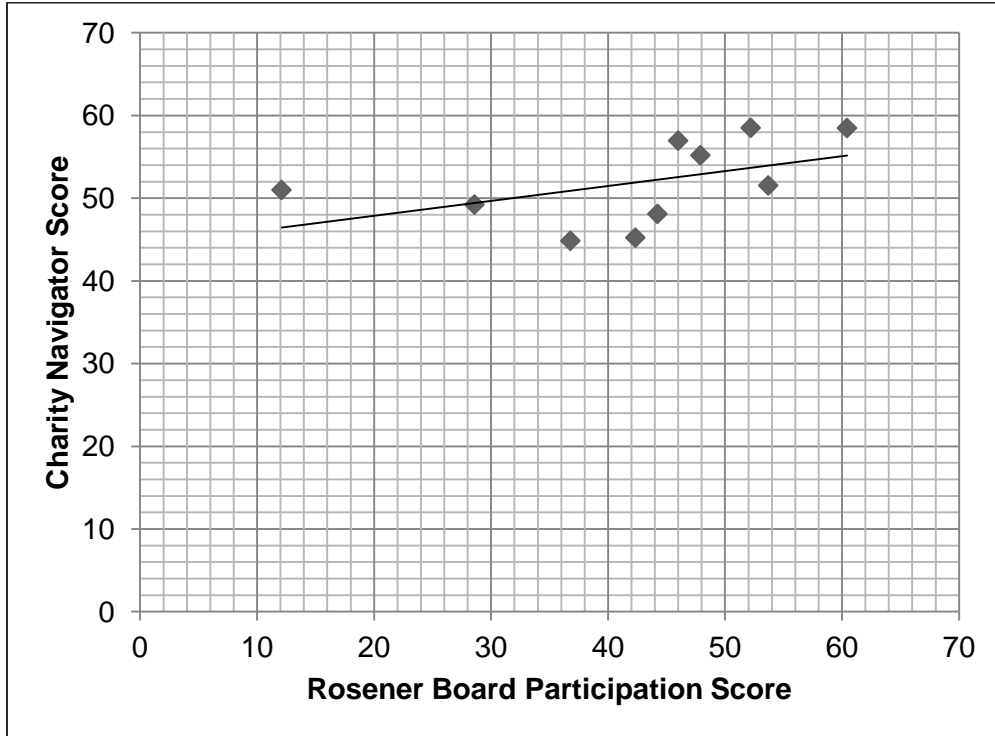
Table 16 – Charity Navigator – Rosener Star Ratings

A benefit of the star ratings is that it is a fairly easy tool for prospective donors or collaborators to use when looking for a quick and simple tool for assessing an organization. A 0 star to 4 star rating is easy to understand and to communicate to others; however, it appears to be too general if an in depth analysis of the organization is the objective.

The whole number tool (see Table 17) for assessing an organization from a prescriptive perspective affords a more in-depth and holistic view of the organization.

Table 17 – Rosener Participation Scores - Charity Navigator Scores**Result #5: There appears to be a Relationship between RPT and CNT**

To determine if there may be a possible relationship between the RPT and CNT a scatter plot of the whole number scores was drafted. A scatter plot presentation of the CNT and RPT (see Table 18) provides initial indication of a possible relationship between the Rosener Effective Participation scores and the Charity Navigator scores. As indicated in the scatter plot graph, a moderate relationship seems to exist between these two variables. A further examination of this relationship will be provided in the following section of this chapter and in the conclusions in Chapter 6.

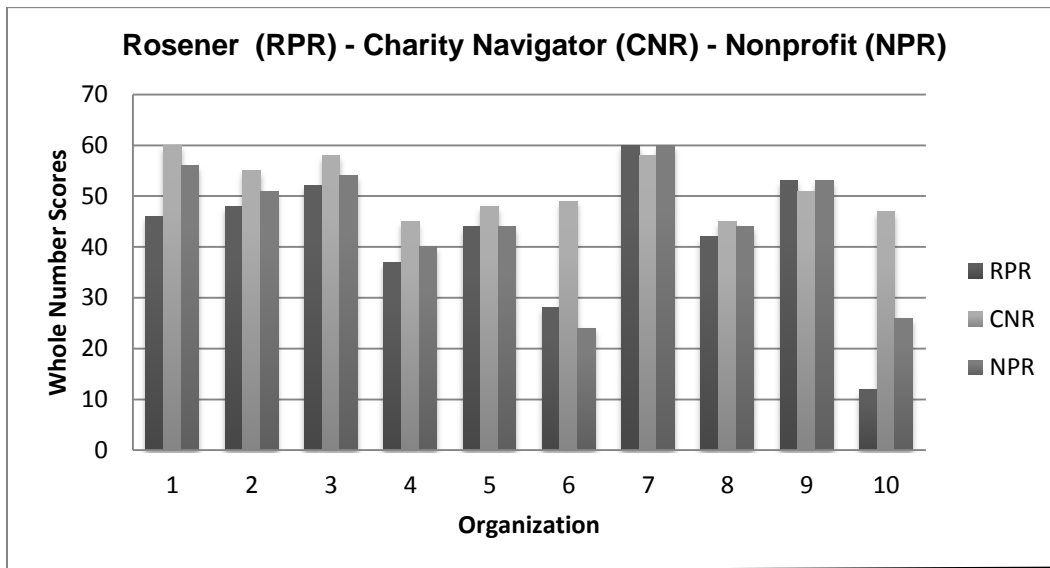
Table 18 – Scatter Plot: Rosener Participation/ Charity Navigator

Linking the relationship of CNT to RPT to form a new nonprofit performance paradigm through the use of the whole score method of analysis provides a more robust view of nonprofit effectiveness. An expanded and more inclusive inventory of nonprofit performance indicators is created by adapting the Charity Navigator model to include board participation effectiveness measures. By adding the board effectiveness scores into the formula that Charity Navigator currently utilizes (Exhibit 4) a new paradigm is created.

In Table 19 the addition of the Nonprofit Performance score was added to the graph displaying Charity Navigator and Rosener scores. The Nonprofit Performance scores offer a new and possibly expanded view of nonprofit

effectiveness when adding board performance ratings to the existing Charity Navigator assessment.

Table 19 –Rosener - Charity Navigators – Nonprofit Performance Relationship



Summary

On an individual level, the boards that received scores that placed them in the healthiest quadrant of participation effectiveness matrix were associated with organizations that had clear board expectations as well as having an annual plan in place for informing board members as to the degree to which they have fulfilled these responsibilities. Agreement traits impact the effectiveness of the board more than knowledge traits. High knowledge of the organization's core mission areas and board responsibilities did not compensate for a lack of agreement on how the board is evaluated in terms of the achievement of their

individual responsibilities nor in how their work impacted the performance of the organization.

Quantitative Results – Sector Level

In this examination of the results of surveys, focus groups, interviews, and observations the perspective is from the nonprofit organization level (all ten organizations results viewed in the aggregate). In order to look at the results from this perspective, three elementary statistical analyses were conducted. The results will be presented and interpreted. Following a brief review of the data sets and research question, a summary of the descriptive, chi-square, and correlation calculations will be presented (due to the small size of this sample further quantitative analyses relative to organizational level relationships were problematic). Following the presentation and summary of each of these calculations, a statement regarding the results from an organizational perspective will be provided.

This study focused on ten nonprofit multipurpose human service organizations using executive directors (secondary sources) and volunteer board members (the primary sources) in the study of these organizations. The scores garnered from extensive interviews, focus groups, and surveys provided the data set used in the following analyses along with an existing data set accessed through Charity Navigator (see Table 4). The goal was to examine the relationship between board consent accountability and the Charity Navigator organizational ratings.

The descriptive statistics (see Table 20) show a Charity Navigator Total Whole Score (cnt) mean score of 51.61 as compared to a Rosener Participation Effectiveness Total Whole Score (bdt) mean score of 44.11. The variation between these two scores equals 7.5 points. Nonprofit organizations found it more difficult to reach the standards for healthy participation than they did in meeting the Charity Navigator standards. The degree of difficulty in meeting the participation effectiveness healthy levels may be due to the nature of the data collection (face to face interviews and focus groups) as compared to the data collection methods utilized by Charity Navigator (I-990 Forms and websites). The tenure of the executive director (ceo) had a mean score of 10.90 years. This is a high level of average tenure for nonprofit executives (Dwyer, 2002). As a final note, the highest mean was 56.61 the rating for accountability and transparency in the Charity Navigator data set (cnat). This score, when compared to the mean score of 37.74 for board agreement (bda) in the Rosener Participation Effectiveness data set shows a variation of 18.87; which is more than double the variation between the total scores (cnt v. bdt) means of 7.5. The descriptive statistics provide three findings that are related to the research question. First, the CNT and RPT scores are relatively close suggesting that there is a possible relationship. Second, the mean scores for accountability and transparency have the most significant variance from the mean scores of agreement but not as significant from the knowledge scores. This may imply that while the boards know what they should be doing relative to this responsibility (accountability and transparency polices) they are not clear as to how they evaluate their

effectiveness in discharging these responsibilities. Policies related to accountability and transparency is primarily a board responsibility (Iyer & Watkins, 2008; and Nezhina & Brudney, 2009). If boards are responsible for these policies but they have little agreement on how they judge whether or not they have achieved these responsibilities (policy effectiveness), as the mean score on agreement suggests, further questions regarding this relationship need to be explored. A third observation is made relative to CEO tenure. Does tenure drive higher board knowledge and agreement scores? The organizations studied have executives with relatively high tenure that may have impacted the results.

Table 20 – Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
Cnf	10	49.33	10.41	35.68	63.78
Cnat	10	56.80	5.452	51	70
Cnt	10	51.61	5.27	44.88	58.51
Bda	10	37.74	17.96	7	62.5
Bdk	10	51.99	16.65	14	70
Bdt	10	44.11	9.90	28.59	60.43
Bud	10	11.25	11.08	2	40
Bds	10	21.60	5.56	15	30
CEO	10	10.90	5.85	3	20
Tpart	10	11.80	6.51	5	25
Cnr	10	2.50	0.52	2	3
Rpr	10	1.90	1.10	0	4
Nppt	10	45.83	12.35	23.7	60
Nppr	10	2.40	1.17	0	4

Note:

Cnf: Charity Navigator Financial Score
 Cnat: Charity Navigator Accountability and Transparency Score;
 Cnt: Charity Navigator Total Score (cnf/cnat)
 Bda: Rosener Participation Agreement Score
 Bdk: Rosener Participation Knowledge Score
 Bdt: Rosener Participation Total Score (bda/bdk)
 Bud: Organization's Total Budget
 Bds: Total Number of Board Members
 CEO: Tenure of Executive Director in current job
 Tpart: Total number of participants
 Cnr: Charity Navigator Star Rating
 Rpr: Rosener Participation Star Rating
 Nppt: Nonprofit Performance Score (cnt/bdt)
 Nppr: Nonprofit Performance Star Rating

A whole number scores analysis of individual organizations proved to be more beneficial than a star rating based analysis. In the analysis on an organizational level the use of the whole scores proved to be less beneficial in deterring the possible relationship between the Rosener Effective Participation Traits and Charity Navigator Ratings. The results of a Pearson chi-squared

calculation (see Table 21) provided no conclusive evidence that a relationship may exist between the two ratings (RPT and CNT) on a whole score basis.

Table 21 – Charity Navigator/Rosener Relationship (1): Pearson Chi-squared

Rosener Whole Scores											
CN*	28.59	31	36.79	42.34	44.23	46	47.9	50.2	53.7	60.43	Total
44.88	0	0	1	0	0	0	0	0	0	0	1
45.73	0	0	0	1	0	0	0	0	0	0	1
47.54	0	1	0	0	0	0	0	0	0	0	1
48.1	0	0	0	0	1	0	0	0	0	0	1
49.23	1	0	0	0	0	0	0	0	0	0	1
51.54	0	0	0	0	0	0	0	0	1	0	1
55.19	0	0	0	0	0	0	1	0	0	0	1
56.96	0	0	0	0	0	1	0	0	0	0	1
58.49	0	0	0	0	0	0	0	0	0	1	1
58.51	0	0	0	0	0	0	0	1	0	0	1
Total	1	1	1	1	1	1	1	1	1	1	10
Pearson Chi2 (81) 90 Pr = 0.231											

*Charity Navigator Whole Score

However, when these two data sets are compared on a star-rating basis a stronger possible relationship is observed (Table 22).

Table 22 – Charity Navigator/Rosener Relationship (2): Pearson Chi-squared

RPSR*						
CNSR**	0	1	2	3	4	Total
2	1	2	2	0	0	5
3	0	0	3	1	1	5
Total	1	2	5	1	1	10

*Rosener Participation Star Rating

** Charity Navigator Star Rating

The relationship between the RPT and CNT seem to be clustered in the 2 and 3 star ratings of CNT and in the 1 and 2 ratings of the RPT. When you consider this information and the information from the scatter plot analysis (see Table 18, page 137) of the whole scores, a picture of a possible relationship emerges. This suggests further study of the relationship between board participation traits and the performance of the nonprofit organization based on the Charity Navigator formula. Caution needs to be taken in this examination due to the size of the study group and the methods utilized in the collection of the data. These results, however, suggest a more in depth study of this topic although these results remain inconclusive with regard to the research question.

The correlation calculations between CNT, RPT, and NPR (although the reliability of these results is minimal due to the sample size), provide additional information regarding the relationship between the two data sets (Table 23).

Table 23 – Correlation

	Cnt	Cnf	Cnat	Bda	Bdk	Bdt	Nppt
Cnt	1.00						
Cnf	0.9640	1.0000					
Cnat	-0.2837	-0.4674	1.0000				
Bda	0.5151	0.4625	-0.0179	1.0000			
Bdk	0.5527*	0.4370	0.3403	0.3765	1.0000		
Bdt	0.6946**	0.6652**	-0.885*	0.84774***	0.5227	1.0000	
Nppt	0.6338**	0.5799*	0.1013	0.7639***	0.6987**	0.9288***	1.0000

Cnt: Charity Navigator Total Score (cnf/cnat)

Cnf: Charity Navigator Financial Score

Cnat: Charity Navigator Accountability and Transparency Score

Bda: Rosener Participation Agreement Score

Bdk: Rosener Participation Knowledge Score

Bdt: Rosener Participation Total Score (bda/bdk)

Nppt: Nonprofit Performance Score (cnt/bdt), nppt: Nonprofit Performance Star Rating

*p< .1; **p< .05; ***p< .01

There is indication of a relationship between the CNT and RPT in three areas, CNF (financial results), CNT, and CNAT. The first is area noted; financial results and board participation indicates that as higher scores in the Charity Navigator financial indicator are related to higher scores in the Rosener Effective Participation scores. This relationship may suggest that a more knowledgeable board and one that is in agreement on the evaluation and impact indicators give a more watchful eye to the financial results of the organization. In the second instance, there appears to be a relationship between the accountability and transparency scores and the total board effectiveness scores. This would seem like a logical association in that the boards' main responsibilities are to uphold the fiduciary and statutory responsibilities of the organization (Salamon & Geller, 2005). The third possible relationship inferred from these results links the CNT with BDT at a significance level of less than .05. This possible link suggests further study with a larger sample.

Overall Results – Based on Original Questions and Propositions

As a conclusion to this chapter on results, the research questions and propositions will be considered. The original questions and propositions are restated and joined by proposed answers that will link the forgoing results to each.

R1. What self-identified traits do board members bring to their service on nonprofit boards?

Board members displayed a high level of knowledge of the organization (K1) and identified that their service on the board impacted the effectiveness of the organization. (A2). The traits most frequently cited by board members included:

- A motivation to make a difference
- Knowledge of the organizations core mission areas
- Link to the community
- Professional skills to assist the organization's leadership
- The understanding that their service impacts the organization

R2. How do these traits contribute to the overall effectiveness of the board?

Board members believe that their commitment to the organization as a member of the board, regardless of what they actually contribute, positively impacts the organizational because it gives the organization credibility. The knowledge of the organization board members displayed was not directly related to tangible impact indicators and there was low to very low consensus in this area.

R3. What do executive directors identify as the traits that board members bring to their service that contributes to their effectiveness?

Executives identified five major board traits that they believe are core board responsibilities:

1. Make financial contributions and secure financial contributions from others
2. Advocate for and promote the organization to the larger community
3. Be strategic thinking partners with the CEO in determining the organization's direction, establishing its policies, and bringing their professional expertise to the organization
4. Assure that the assets of the organization are protected; financial and properties
5. Provide the fiscal and statutory oversight as required by law

R4. Do board members describe traits that are more knowing or more agreeing?

Board members demonstrated a higher degree of consensus around knowledge traits than agreement traits. The mean score for agreement equaled 37.74 out of a possible score of 70; the mean score for knowledge equaled 51.99 out of a possible maximum score of 70. The difference between the boards' mean agreement score and the mean

knowledge score is 14.25 points (a 20% difference - see Table 20). There is a clear weakness in the boards' understanding of how their work is evaluated and in what way they impact the organization's performance versus their knowledge of the organization's mission and their responsibilities to assuring the success of the organization. Board members evidenced very low consensus in how their performance is measured, but they all feel they are making a difference.

R5. Is there a difference between the board traits identified by board members in well-operated nonprofits versus those traits identified in poorly operated nonprofits?

The organizations that received the highest total ratings from Charity Navigator (organization #1 (56.96), #3 (58.51), and #7 (58.49)) had the highest (most healthiest participation traits) in total (RPT) and in the knowledge trait indicator (RPK) than any of the other organizations rated lower by Charity Navigator (see Table 4). The traits mostly frequently mentioned in the knowledge indicator included:

- Clear understanding of the organization's core mission areas
- High level of consensus on board responsibilities

R6. Does the Participation Evaluation Matrix (Rosener, 1978) explain the relationship between the presence of certain board traits and the effectiveness of nonprofit organizations?

There is preliminary evidence that the presence of high consensus among board members around key mission areas of the organization, board member responsibilities in assisting the organization in achieving the core mission areas and an understanding of how their work is evaluated is related to higher levels of organization effectiveness as determine by the Charity Navigator ratings.

These six research questions led to the following four propositions that will be addressed in this section.

P1. Nonprofit organizations that have boards that display high levels of Healthy Participation Traits on the Evaluation Matrix have greater levels of effectiveness than those whose boards that do not display similar levels.

The results of the qualitative and quantitative analysis of the data secured in the course of this study indicate the there is a possible relationship.

P2. Effectively governed nonprofits will have board members and executives identifying similar “healthy participation” board member traits.

Of the organizations that had both a high CNT rating and a high RPT rating displayed the following participation traits:

1. High to very high knowledge of the core mission areas of the organization
2. High to very high knowledge of their board responsibilities:
 - Fundraising
 - Advocacy
 - Policy
 - Planning
 - Monitoring
3. High to moderate agreement on how their work (the discharge of their responsibilities) is evaluated (by whom and with what metrics)
4. Very high agreement on how their work impacts the performance and the credibility of the organization

P3. Ineffective nonprofit organizations have board members and executives who identify essential board traits that are far removed.

The organizations that received low CNT ratings and low RPT ratings evidenced a high degree of disagreement between what the executives identified as key board responsibilities and what the boards

identified as key responsibilities (K2 question). In the knowledge of the organization's core mission and in the impact trait areas there was less disagreement.

P4. There is no relationship between high levels of “healthy participation” board traits and effective nonprofit organizations.

There is no evidence in the results that supports this proposition. However, the small study size may have impacted the research to draw a definitive conclusion regarding this final proposition. There appear from the results of this study that healthily levels of participation traits (high knowledge traits and high agreement traits) are related to the Charity Navigator ratings of the same organizations.

Chapter 6 – Conclusions

Introduction

The nonprofit sector in the United States has experienced rapid growth in the last decade (Urban Institute, 2009). The work of these organizations is carried out through a network of paid staff and volunteers. Of the millions of Americans who volunteer, a small part volunteer to serve on the board of directors of these organizations. They accept a call to serve as the others who volunteer to tutor in an afterschool program, serve food at a shelter, coach for Special Olympics, or lead a book club at a senior center. The volunteers who serve as members of the board of directors take on the fiduciary and statutory responsibilities for the allocation of \$4.3 trillion (Urban Institute, 2009) of assets which in turn provides services to millions of people. So often, however, board members of nonprofit organizations come to serve in this capacity with very little experience as a program volunteer and less as a volunteer board member (Brudney & Murray, 1998) but with a high level of motivation to serve (Inglis & Cleave, 2006). This motivation to serve is similar to those who volunteer to provide services like the tutor, the guest speaker, or the food server. When people volunteer to serve food, tutor, coach, or mentor they are given an orientation to the task, understand their role in achieving the goal, and have a clear understanding of what it is to be successful in achieving their task and how it is linked to the mission of the organization (Ellis, 1996). The research on boards tells us much about what board members should be doing to fulfill their fiduciary and statutory responsibilities (Craver, 2006; Chair, 2005; Herman, 2009;

and Ostrower, 2007). But little research addresses how board members accomplish these responsibilities and what the antecedents are for their success.

This research looked at the fundamental elements for successful “volunteership” on nonprofit boards. The research question: Is there a relationship between effective participation traits of board members and the effectiveness of nonprofit organizations explored the possibility of a relationship between knowledge and agreement among members of nonprofit boards on the goals of the organization and their responsibilities in assuring the achievement of them and the overall performance of the organization. This research examined the question of board member engagement and the effectiveness of nonprofit organizations by asking active board members four simple questions: what goals is our organization attempting to achieve, what is your responsibility in reaching these goals, how do you know when you have been successful in accomplishing your responsibilities, and does your work serve to achieve the goals which you are pursuing.

The conclusions presented in this chapter seek to provide answers to these questions based upon the research presented in the preceding chapters. We begin with an examination of the research question, why it was important to study, and from whose perspective. This is followed by a review of the model designed and executed in pursuit of answers to the research question. The findings which follow bring forth a set of conclusions and address the study’s limitations along with a proposal for future research on this topic.

Research Question

Is there a relationship between effective participation traits of board members and the effectiveness of nonprofit organizations? This question came to be the focus of this research from four perspectives, board members, executive directors, this researcher's experience, and the literature. In a series of exploratory focus groups (conducted by this researcher in December 2010) with executive directors and with board members looking at what they perceive to be the role and major responsibilities of a board a common theme developed. Executives were frustrated with their boards because board members did not do their job well and focused on issues that were not related to their role. Board members were frustrated because whenever they raised issues that were important to them the executive claimed it wasn't within the area of their responsibility (December 2010). This researcher had a similar experience when working with several local boards and nonprofit executives. The most pressing challenge in working with local boards was in trying to balance the board's high level of motivation to serve with the realities of the breath and limits to their power and authority. In addition to this challenge, and at the same time, trying to educate the executive director on the role and responsibilities of the board. Most of the conflicts at the board level that needed the intervention of this researcher (when he was chief operating officer with the YMCA of New York City) were related to the board's lack of knowledge of their role and a lack of agreement on how they should carry out their duties. The research question was developed from these experiences but was also examined from a research perspective

through an extensive literature review. Much was written about the metrics for evaluating good board performance (Alexander & Lee, 2006; Brudney & Nobbie, 2002; Chait, Ryan, & Taylor, 2005; Saidel & Harlan, 1998; and Salamon, 2005). Little research focused on the more generic aspects of board effectiveness— the knowing and doing relationship of the individual board members and that of the board as a whole.

Theoretical Model, Design, Methods, Data, and Results

One researcher focused on the issue of knowledge and agreement when examining citizens participating on a local board (Rosener, 1978). The theoretical model— The Participation Effectiveness Matrix provided a lens through which to study this question. Selecting a group of ten multipurpose nonprofit organizations and with a focus on board members, the research methods of interviews, focus groups, and surveys were employed using the Rosener Participation Effectiveness Matrix as the lens to examine the question. Four focus groups, ten interviews, and three observations involving 113 individuals representing ten nonprofit organizations yielded 6 hours of audio recordings which were transcribed, coded and themed. This work delivered useful data on board participation traits. These data were calculated based on an existing formula used by Charity Navigator, an organization that rates nonprofit effectiveness, in order to establish a board performance effectiveness rating for these organizations. An analysis of the relationship between the board participation effectiveness ratings and those of Charity Navigator were conducted.

It was found that the self-identified traits board members bring to their service on nonprofit boards include a passion for the organization, professional skills that are of use to the organization, a link to the community that is valuable in promoting the organization to the public, and a sense that their work as a board member impacts the achievement of the organization's mission. Board members strongly believed that their commitment to the organization translated into success of the organization regardless of what they contribute. They had a sense that by volunteering to be a board member is, in and of itself (the act of volunteership— agreeing to serve) the contribution they make to move the organization forward in advancing its mission. The strong participation traits of knowledge of the organization's core mission areas and the high levels of agreement on the role they have in advancing the mission contributed to the board's effectiveness. The executives interviewed had a different perspective. They identified more tangible contributions as essential board traits: giving money and providing oversight were the traits the executives added. There was consensus among executives regarding the traits that board members identified which included: links to the community (through advocacy), professional skills (to help frame the strategic plan), and to have a passion for the organization. Board members displayed a higher level of agreement with the executives on the knowledge traits than they did on the agreement traits. Both groups, however, were equally concerned about how the board is evaluated and what metrics are used to conduct an evaluation. Overall, the nonprofits with high ratings from

Charity Navigator had higher participation effectiveness ratings than those organizations with lower Charity Navigator ratings.

Conclusions

These results lead to the following conclusions and recommendations for future study. Boards understand the mission of their organization (K1)³³ and feel that their work is important and impacts the performance of the organization (A 2)³⁴, but fall short in understanding their specific responsibilities (K 2)³⁵ and have little agreement and understanding as to whether or not they are successful in fulfilling their responsibilities (A1)³⁶. Executives and board members know that the importance of evaluating performance on an organizational and individual level, but each remains uncomfortable in implementing a specific method for evaluating board member performance due to many reasons. One of these reasons mentioned by an executive: “if they are giving [money] and help us meet our diversity goal[s] [and don’t fulfill the other board responsibilities], they stay on”.

Recommendations

Four recommendation based on these conclusions include; set board expectations, create a process for an annual review of board performance, expand existing mythologies for evaluating nonprofit performance to include aboard effectiveness indicator), and establish a best practice model for implementing an evaluation process for assessing effective board participation.

Action 1- Set clear expectations for board participation (established at the executive and nominating committee levels and approved by the board) for

use during the board recruitment phase. Link needed skills and individual responsibilities of board members to specific strategic goals of the organization and review these expectations annually. Set expectations that fit both the individual and the organization.

Action 2- Establish an annual process for assessing each board member against the individual board member's responsibilities and annually evaluate the total board's performance (an aggregated assessment of the individual score).

Action 3- Expand the existing nonprofit performance evaluation methodologies to include a board performance rating indicator that is based upon individual and board achievement of agreed upon board responsibilities.

Action 4 - Create a best practices model for board performance. This should include setting board expectations, recruiting to the expectations, handling under performers, evaluation techniques for individual board members and for the total board, and training for executives, board chairs, and full boards in this area.

Study Limitations

There were four limitations to this study: (1) sample size, (2) unequal participation, (3) executive drive baseline metrics, and (4) lack of diversity in the organizations.

The study was limited to ten organizations that made any type of quantitative analysis impossible to conduct. This limits the ability of the study's results to be applied to a larger similar population.

Not all ten organizations were studied using the same methods. All participants completed the survey, however, not all boards were observed nor did all participate in focus groups.

The executives set the baseline answers for all the participation effectiveness questions. The board members responses as individuals and as a group were scored based on the degree to which their answers were aligned with the executives' answers.

The participating organizations did not represent a diversified sample in terms of race and gender. This limitation may have impacted the study's findings and will need to be addressed in future studies. Questions that will need to be considered include: Are nonprofit boards diversified? Is there a relationship between board effectiveness and board diversity? While this study examined the relationship between board participation effectiveness and the effectiveness of the organization, the diversity variable will be an important consideration when this study includes a larger and more representative sample of nonprofit organizations.

Future Study

This work could be expanded by: (1) engaging a larger and more diversified sample, (2) included nonprofit organizations that have different missions, (3) looking at consensus from agreement between board members rather than from board agreement on CEO identified goals and responsibilities, and (4) considering the role of the CEO on the degree to which boards have high or low healthily participation traits. Other topics for future study indirectly

associated with this research include; (1) gender, position, and salary of top level nonprofit executives, (2) board diversity, (3) program evaluation methods and metrics, and (4) use, impact, and evaluation of program volunteers.

Contribution

This research has helped us to consider expanding the definition of what constitutes peak performance of nonprofit organizations. The findings suggest that by adding a metric that evaluates board performance which goes beyond the use of inert data (websites and I-990 forms) to include more robust forms (interviews, observations, and audits) would provide a more complete picture of organizational effectiveness.

In addition, this research has helped to highlight the important role boards have in the performance of nonprofit organizations and the little they know about how their work actually impacts the organization and whether or not they believe they are fulfilling their responsibilities beyond the tangible: contributing money, attending meetings, and providing public validation.

Finally, my research on board effectiveness expands the discourse on what defines effective nonprofit performance. This study's results suggest tethering the board effectiveness rating to existing nonprofit performance rating models. Furthermore, this study suggests a closer examination of what metrics can best serve to evaluate program quality and mission achievement. This study advocates for a new nonprofit performance appraisal paradigm that builds on existing rating methods (financial performance, accountability practices, and

transparency indicators) to include: board effectiveness and program quality metrics.

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Exhibits

Exhibit 1 – Organization Structure of Nonprofit Organizations	168
Exhibit 2 – Consent Accountability	169
Exhibit 3 – The Nonprofit Organization Matrix	170
Exhibit 4 – Charity Navigator Metrics Definitions	171
Exhibit 5 – Charity Navigator Rating Formula	183
Exhibit 6 – Rosener Participation Effectiveness Rating Tool and Formula	184

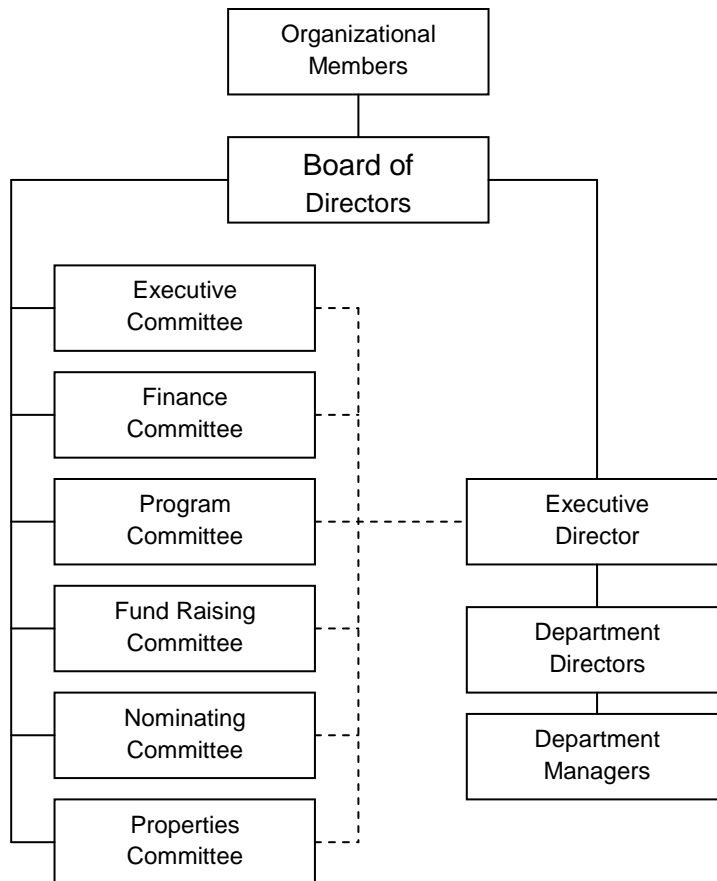
Exhibit 1 – Typical Organization Structure of Nonprofit Organizations

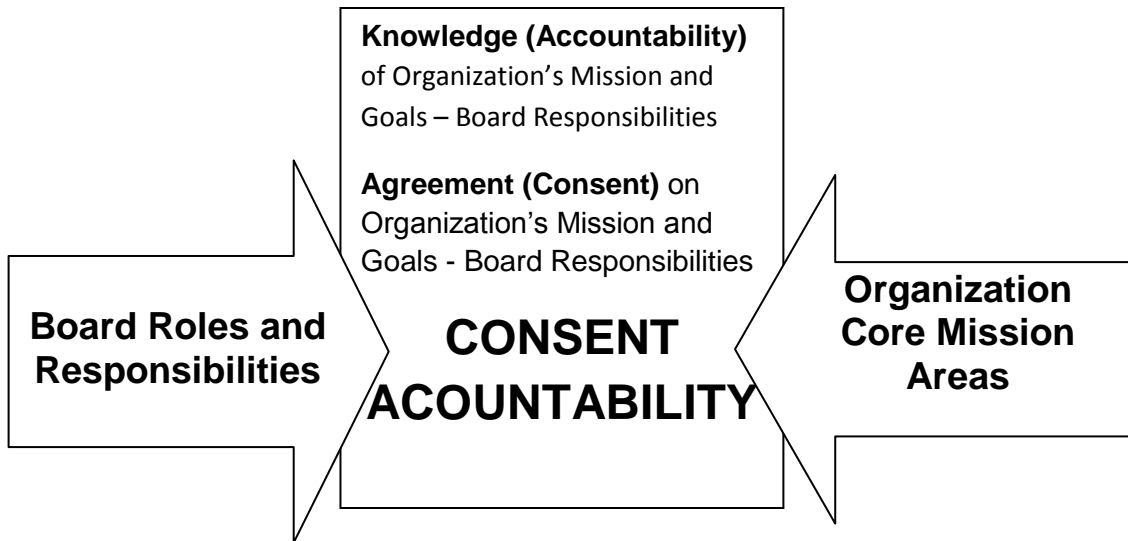
Exhibit 2 – Consent Accountability

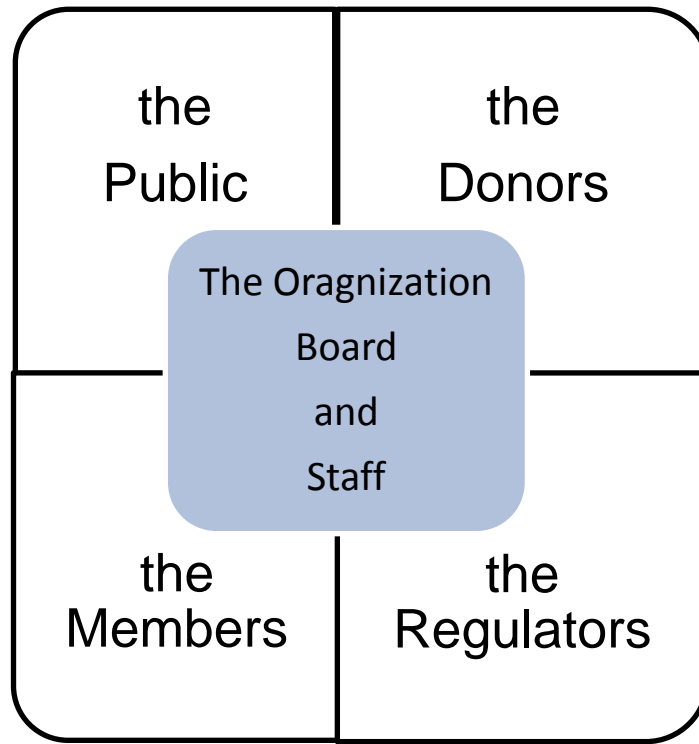
Exhibit 3 – The Nonprofit Organization Matrix

Exhibit 4 – Charity Navigator Metrics Definitions*

Financial Efficiency Performance Metrics

Analyzing a charity's financial efficiency reveals how well it manages its finances day to day. Charities that are financially efficient spend less money to raise more. Their fundraising efforts stay in line with the scope of the programs and services they provide. They keep administrative costs within reasonable limits. They devote the majority of their spending to the programs and services they exist to provide.

Four of the 7 financial performance metrics that we analyze are about a charity's financial efficiency: program expenses, administrative expenses, fundraising expenses, and fundraising efficiency.

Performance Metric 1: Program Expenses

Charities exist to provide programs and services. They fulfill the expectations of givers when they allocate most of their budgets to providing programs. Charities fail givers expectations when their spending on programs is insufficient. To evaluate a charity's program expenses, we divide its program expenses by its total functional expenses. Charity Z spends \$2.5 million on program expenses, compared with its overall operating budget of \$3.5 million. Thus, Charity Z spends 71.4% on program expenses. We score a charity's program expenses using the conversion scale listed in our **Financial Ratings Tables**.

Performance Metric 2: Administrative Expenses

As with successful organizations in any sector, effective charities must recruit, develop, and retain talented people. At the same time, they ensure that these administrative expenses remain reasonable and in line with the organizations total functional expenses. Here again, we calculate a charity's administrative expenses by comparing them to its total functional expenses. Charity Z spends \$500,000 on administrative expenses, compared with \$3.5 million in total

functional expenses. Thus, Charity Z spends 14.3% on administrative expenses. Again, we use the scale listed in our Financial Ratings Tables to score a charity's administrative expenses.

Performance Metric 3: Fundraising Expenses

Charities spend money to raise money, but they do not exist to raise money. Givers support charities for their programs and services, not for their ability to raise money. Charities should ensure that fundraising expenses stay in line with the charity's total functional expenses. We evaluate a charity's spending on fundraising by comparing it with the charity's overall spending. That is, we divide a charity's fundraising expenses by its total functional expenses. Charity Z, which spends \$500,000 on fundraising and \$3.5 million in expenses overall, spends 14.3% on fundraising. We score a charity's fundraising expenses using the corresponding conversion scales listed in our Financial Ratings Tables.

Performance Metric 4: Fundraising Efficiency

Charities spend money to raise money. Financially effective charities must in part be efficient fundraisers, spending less to raise more. We calculate a charity's fundraising efficiency by determining how much it spends to generate \$1 in charitable contributions. In other words, we divide a charity's fundraising expenses by the total contributions it receives. For example, Charity Z, with fundraising expenses of \$500,000 and total contributions of \$3.4 million, has a fundraising efficiency of \$0.147, which means it spends 14.7¢ to raise \$1. After calculating a charity's fundraising efficiency, we convert the results to a numerical score ranging from 0 to 10. Our conversion scales for fundraising efficiency are provided in our Financial Ratings Tables.

Indirect Cost Allocation Adjustment

The IRS requires charities to allocate their expenses into three categories:

Program, Management/General, and Fundraising. The vast majority of organizations we evaluate allocate costs directly, the simplest and most transparent technique for fulfilling this requirement. A few use indirect cost allocation for some or all of their accounts, entering all their expenses for those accounts into one category, and then reversing out the expenses that belong to other categories in a single line item. In most cases, this technique can be a legitimate method for handling particularly complicated accounting systems; however, we have seen organizations push the envelope when reporting in this manner, using it as an opportunity to artificially inflate their program expense total. In an effort to treat all evaluated organizations consistently and fairly, we factor out indirect cost allocations where sufficient financial documentation and a reasonable description for the basis used to determine such allocated costs have not been provided to us.

Financial Capacity Performance Metrics

We analyze a charity's financial capacity to determine how well it has sustained its programs and services over time, and whether it can continue to do so, even if it loses support or faces broad economic downturns. By doing so, we show givers how well that charity is positioned to pursue long-term, systemic change. Charities that show consistent growth and maintain financial stability are more likely to continue to provide services for years to come. They have the financial flexibility to plan strategically and pursue long-term objectives, rather than facing flurries of fundraising to meet payrolls and other short-term financial obligations. These charities can more ambitiously address our nation's challenges, envisioning and working toward long-term solutions.

Three of the 7 financial performance metrics that we analyze are about a charity's financial capacity: primary revenue growth, program expenses growth, and working capital ratio.

Givers should know that other independent evaluators of charities tend not to measure a charity's capacity. Indeed, charities that maintain large reserves of

assets or working capital are occasionally penalized by other evaluators. In our view, a charity's financial capacity is just as important as its financial efficiency. By showing growth and stability, charities demonstrate greater fiscal responsibility, not less, for those are the charities that will be more capable of pursuing short- and long-term results for every dollar they receive from givers.

Performance Metrics 5 and 6: Primary Revenue Growth and Program Expenses Growth

As do organizations in other sectors, charities must grow over time if they are to sustain their programs and services. For charities, growth means first, increasing their primary revenue, which includes contributions from corporations, foundations, individuals, and government grants; program service revenue, contracts and fees; and revenue from membership dues and fees. Second, growth means growing their programs and services. Organizations that demonstrate consistent annual growth in both primary revenue and program expenses are able to outpace inflation and thus sustain their programs year to year. These organizations also supply givers with greater confidence by maintaining broad public support for their programs.

Charity Navigator analyzes a charity's average annual growth of primary revenue and program expenses over its four most recent fiscal years. We recognize that just like organizations in other sectors, charities engage in certain non-recurring activities that generate unsustainable spikes in their revenues. Such activities can include capital campaigns or endowment drives. Similarly, the start-up period for relatively new organizations represents an unsustainable pattern of growth. When we determine that an organization has engaged in these non-recurring and unsustainable activities in the first of the four years over which we evaluate the organization, we will expand the data we evaluate to five years. If a fifth year is unavailable, we alternatively reduce the data we evaluate to three years.

Once we determine the interval over which we will evaluate an organization, we use the standard formula for computing annualized growth: $[(Y_n/Y_0)^{(1/n)}]-1$, where Y_0 is the value measured in the first year of the interval analyzed, Y_n is the value measured at the end of the interval analyzed, and n is the length of the interval in years. (The growth interval, represented by ' n ' in the equation, is actually only 3 when we are using four years of data such as 12/31/2007 to 12/31/2010.) We then evaluate the charity using the corresponding scales listed in our Financial Ratings Tables.

Performance Metric 7: Working Capital Ratio

Charities depend upon their reserves of liquid assets to survive downward economic trends and sustain their existing programs and services. If a charity has insufficient working capital, then it faces the difficult choice of eliminating programs or staff, amassing debts and liabilities, or dissolving. On the other hand, when giving flows, those charities that build working capital develop a greater capability for expanding and improving their programs.

We analyze a charity's working capital ratio by determining how long it could sustain its current programs without generating new revenue. To obtain this ratio, we divide the charity's working capital by its total expenses, including payments to affiliates, for the most recent fiscal year. For example, Charity Z holds \$5.4 million in working capital. Its total expenses for the most recent fiscal year are \$3.6 million, including a \$100,000 payment to an affiliate for its national dues. Thus, it has a working capital ratio of 1.5 years. We score a charity's working capital ratio using the corresponding conversion scales listed in our Financial Ratings Tables.

As with each of our other six performance metrics, we calculate a charity's working capital using the information supplied on the charity's most recently filed Form 990. We include in this calculation net available assets. This includes

unrestricted and temporarily restricted net assets, and excludes permanently restricted net assets. For evaluations based on fiscal years ending prior to 12/31/08, working capital includes only the following assets and liabilities: cash, savings, accounts receivable, grants receivable, pledges receivable, investments in securities, accounts payable, accrued expenses, and grants payable.

Assigning Financial Scores and a Financial Health Rating

After evaluating a charity in each of the seven performance metrics described above, we convert the charity's raw score to a numerical score ranging between 0 and 10. We calculate an overall score for each charity's financial health by combining its scores in each of the 7 performance categories. We then assign the charity a Financial Health rating by using the table listed in our **Financial Ratings Tables**.

Accountability and Transparency

We define accountability and transparency in assessing charities as follows:

- *Accountability* is an obligation or willingness by a charity to explain its actions to its stakeholders. For now, Charity Navigator is specifically evaluating the fiduciary actions of charities. In the future, we intend to evaluate other aspects of accountability such as results reporting and other indicators of the way organizations use the resources they raise to accomplish their mission.
- *Transparency* is an obligation or willingness by a charity to publish and make available critical data about the organization.

We believe that charities that are accountable and transparent are more likely to act with integrity and learn from their mistakes because they want donors to know that they're trustworthy. Generally speaking, charities that follow best practices in governance, donor relations and related areas are less likely to engage in unethical or irresponsible activities. Therefore, the risk that charities would misuse donations should be lower than for charities that don't adopt such

practices. When examining accountability and transparency, Charity Navigator seeks to answer two basic questions:

- Does the charity follow good governance and ethical best practices?
- Does the charity make it easy for donors to find critical information about the organization?

What Data We Use

We consider two data sources when examining accountability and transparency:

- Additional information available from the IRS Form 990; and
- A review of the organization's website.

Please note that, Charity Navigator's goal is to let donors know whether charities are making certain kinds of important information readily available to donors. We hope to further enhance our methodology and make a qualitative assessment of that information in the future.




Here's what information we collect from each source:

Data culled from Form 990




The IRS expanded the Form 990 in 2008 to collect additional information from charities that can accept tax-deductible donations. Several changes were designed to inform the public about potential conflicts of interest, board oversight, executive compensation, and record keeping. The IRS states that, "by making full and accurate information about its mission, activities, finance, and governance publicly available, a charity encourages transparency and accountability to its constituents." 12 of the 17 Accountability & Transparency categories that we analyze are collected from the expanded Form 990. If a charity fails to submit an answer to any of the following 12 items on the Form 990, then we deduct the points from their Accountability & Transparency score.

- **Independent Board:** The presence of an independent governing body is strongly recommended by many industry professionals to allow for full

deliberation and diversity of thinking on governance and other organizational matters. Our analysts check the Form 990 to determine if the independent Board members are a voting majority and also at least five in number.

- **Material diversion of assets:** A diversion of assets - any unauthorized conversion or use of the organization's assets other than for the organization's authorized purposes, including but not limited to embezzlement or theft, also can seriously call into question a charity's financial integrity. We checked the charity's last two Forms 990 to see if the charity has reported any diversion of assets. If the charity does report a diversion, then we check to see if it complied with the Form 990 instructions by describing what happened and its corrective action. This metric will be assigned to one of the following categories:
 -  There has been no diversion of assets within the last two years.
 -  There has been a diversion of assets within the last two years and the charity has used Schedule O on the Form 990 to explain what happened and the corrective action it has taken.
 -  There has been a diversion of assets within the last two years and the charity has not offered any explanation on Schedule O.
- **Audited financials prepared by independent accountant with an audit oversight committee:** Audited financial statements provide important information about financial accountability and accuracy. They should be prepared by an independent accountant with oversight from an audit committee. (It is not necessary that the audit committee be a separate committee. Often at smaller charities it falls within the responsibilities of the finance committee or the executive committee.) The committee provides an important oversight layer between the management of the organization, which is responsible for the financial information reported, and the independent accountant, who reviews the financials and issues an opinion based on its findings. We check the charity's Form 990 reporting to see if it meets these criteria. In the future we also intend to review whether or not the charity has received an unqualified opinion from the auditor.

This metric will be assigned to one of the following categories:

-  The charity's audited financials were prepared by an independent accountant with an audit oversight committee.
-  The charity's audited financials were prepared by an independent accountant, but it did not have an audit oversight committee.
-  The charity did not have its audited financials prepared by an independent accountant.
- **Loan(s) to or from related parties:** Making loans to related parties such as key officers, staff, or Board members, is not standard practice in the sector as it diverts the charity's funds away from its charitable mission and can lead to real and perceived conflict-of-interest problems. This practice is discouraged by sector trade groups which point to the Sarbanes-Oxley Act when they call for charities to refrain from making loans to directors and executives. And the IRS is concerned enough with the practice that it requires charities to disclose on their Form 990 any loans to or from current and former officers, directors, trustees, key employees, and other "disqualified persons." Furthermore, some state laws go so far as to prohibit loans to board members and officers. And although employees and trustees are permitted to make loans to charities, this practice can also result in real and/or perceived conflict of interest problems for the charity. Furthermore, it is problematic because it is an indicator that the organization is not financially secure. Our analysis shows whether the loan was to or from related parties, but we make no distinction in scoring as industry experts recommend against both practices.
- **Documents Board meeting minutes:** An official record of the events that take place during a board meeting ensures that a contemporaneous document exists for future reference. Charities are not required to make their Board meeting minutes available to the public. As such, we are not able to review and critique their minutes. For this performance metric, we are checking to see if the charity reports on its Form 990 that it does keep those minutes. In the future, we will also tack and rate whether or not a charity keeps minutes for its committee meetings.
 - **Provided copy of Form 990 to organization's governing body in advance of filing:** Providing copies of the Form to the governing body in

advance of filing is considered a best practice, as it allows for thorough review by the individuals charged with overseeing the organization. The Form 990 asks the charity to disclose whether or not it has followed this best practice.

- **Conflict of interest policy:** Such a policy protects the organization, and by extension those it serves, when it is considering entering into a transaction that may benefit the private interest of an officer or director of the organization. Charities are not required to share their conflict of interest policies with the public. Although we cannot evaluate the substance of its policy, we can tell you if the charity has one in place based on the information it reports on its Form 990.
- **Whistleblower policy:** This policy outlines procedures for handling employee complaints, as well as a confidential way for employees to report any financial mismanagement. Here we are reporting on the existence of a policy as reported by the charity on its Form 990.
- **Records retention and destruction policy:** Such a policy establishes guidelines for the handling, backing up, archiving and destruction of documents. These guidelines foster good record keeping procedures that promotes data integrity. Here we are reporting on the existence of a policy as reported by the charity on its Form 990.
- **CEO listed with salary:** Charities are required to list their CEO's name and compensation on the new 990, an issue of concern for many donors. Our analysts check to be sure that the charities complied with the Form 990 instructions and included this information in their filing.
- **Process for determining CEO compensation:** This process indicates that the organization has a documented policy that it follows year after year. The policy should indicate that an objective and independent review process of the CEO's compensation has been conducted which includes benchmarking against comparable organizations. We check to be sure that the charity has reported on its Form 990 its process for determining its CEO pay.
- **Compensates Board:** It is rare for a charity to compensate individuals serving on its Board of Directors. Although Board compensation is not illegal, it can call

into question a nonprofit's financial integrity. If a charity pays any of its Board, then that information is recorded on its Form 990.




Please visit our [Accountability and Transparency Ratings Tables](#) to see how we score each of the performance categories that relates to the information reported on the charity's Form 990.

A Review of the Charity's Website

Our analysts make a determination if the following information is easily accessible on the charity's website. We check to see if a donor can readily find information about the charity's finances, leadership and donor privacy policy on the charity's website. Five of the 17 Accountability & Transparency categories that we analyze are from a review of the charity's website.

- **Board members listed:** Our analysts check to see if the charity lists Board members on its website. Publishing this information enables donors and other stakeholders to ascertain the makeup of the charity's governing body. This enables stakeholders to report concerns to the Board. Charity Navigator does not cross-check the Board members listed on the website with that reported on the Form 990 because the later often isn't available until more than a year after the charity's fiscal year ends. In that time, the charity's Board members may have changed and the charity typically reflects those more recent changes on the website. In other words, since the Form 990 isn't especially timely, it cannot be used to verify the Board information published on the charity's site.
- **Key staff listed:** It is important for donors and other stakeholders to know who runs the organization day-to-day. And, for the same reasons outlined above, this information is usually more current than the Form 990.
- **Audited financials:** We check the charity's website to see if it has published its audited financial statements for the fiscal year represented by the most recently filed IRS Form 990. It is important for donors to have easy access to this financial report to help determine if the organization is managing its financial resources well. We are rating charities on whether or not they publish their audit on their website. In the future, for those charities that do publish their audit online we will

also report and rate whether or not the auditor's opinion was qualified or unqualified.

- **Form 990:** We check the charity's website to see if it has published its most recently filed IRS Form 990 (a direct link to the charity's 990 on an external site is sufficient). As with the audited financial statement, it is important for donors to have easy access to this financial report to help determine if the organization is managing its financial resources well.
- **Privacy Policy:** Donors have expressed extreme concern about the use of their personal information by charities and the desire to have his information kept confidential. The sale of lists for telemarketing and the mass distribution of "junk mail," among other things, can be minimized if the charity assures the privacy of its donors. Privacy policies are assigned to one of the following categories:
 -  **Yes:** This charity has a written donor privacy policy published on its website, which states unambiguously that (1) it will not sell, trade or share a donor's personal information with anyone else, nor send donor mailings on behalf of other organizations or (2) it will only share personal information once the donor has given the charity specific permission to do so.
 -  **Opt-out:** The charity has a written privacy policy published on its website which enables donors to tell the charity to remove their names and contact information from mailing lists the charity sells, trades or shares. Opt-out requirements vary from one charity to the next, but all require donors to take some action to protect their privacy.
 -  **No:** This charity does not have a written donor privacy policy in place to protect their contributors' personal information.

The policy can either specifically refer to donors, or generally refer to all users of the organization's website. The existence of a privacy policy of any type does not prohibit the **charity itself** from contacting the donor for informational, educational, or solicitation purposes.

* Source Charity Navigator Website, 2011 www.charitynavigator.org

Exhibit 5 – Charity Navigator Rating Formula*

A one dimensional rating system, like the one Charity Navigator launched with in 2002 to rate the Financial Health of charities, can be done with a simple addition of scores. But rating charities on two distinct components – (1) Financial Health + (2) Accountability and Transparency – in such a way that charities must excel in both areas in order to score well overall, requires a more complex calculation. In the CN 2.0 system the overall score is not a sum, but rather a measurement of the distance of two component scores from the theoretically perfect score of 70 and 70. The smaller the distance to the perfect score, the better the overall score. Mathematically, the formula we use to calculate the overall score is:

$$70 - \sqrt{\frac{(70 - \text{Financial})^2 + (70 - \text{A\&T})^2}{2}}$$

Although the calculation used to determine the overall score is complex, the rating table used for Financial Health, Accountability & Transparency and the Overall Rating is the same as illustrated below.

Overall Rating:	★★★★	★★★★☆	★★★☆☆	★★☆☆☆	★☆☆☆☆	0 Stars	Donor Advisory
Overall Score:	≥ 60	50 - 60	40 - 50	25 - 40	< 25		N/A

*Source: Charity Navigator, 2011 www.charitynavigator.org

Exhibit 6 – Rosener Participation Effectiveness Rating Tool and Formula

Rating Tool

Points	35	21	14	7	0
K1					
K2					
A1					
A2					
Score	≥ 90%	89-75%	74-49%	49-26%	≤25%

For Survey Method: Individual Board member answers to each of the four questions were scored based on the executive director's answers. The degree to which there was consensus with the Executive's answers a percentage (1105 = full agreement to 0% on agreement) was assigned to each answer. The percentage score on each answer was converted into points (using the rating tool above) and based on a total maximum score of 70 points for Knowledge and 70 points for agreement—consistent with Charity Navigator's rating. Individual scores were summed and averaged to arrive at a board score.

For Focus Groups: The themes most frequently noted were compared to the executive director's responses to each of the four questions and an overall score based on the survey method was assigned to the board.

Formula

1. Total points for knowledge and Agreement were calculated
2. The sums of each were entered into the Charity Navigator formula as depicted below: (Knowledge score was substituted for Financial and Agreement Score was placed in the A&T space)

$$70 - \sqrt{\frac{(70 - \text{Financial})^2 + (70 - \text{A\&T})^2}{2}}$$

An example: (Organization Y) Board Knowledge = 56
 Board Agreement = 42

Rosener Participation Rating = 70 — 21.13

= 47.90 or 2 star (based on CN rating)

Appendices

Appendix 1 – Survey	186
Appendix 2 - Methods Goal Statements	187
Appendix 3 – Focus Group Protocol – IRB Approval	189
Appendix 4 - Rosener Participation Effectiveness Matrix – Metrics Definitions	194
Appendix 5 – Study Participants Profiles	195

Appendix 1 – Survey

RUTGERS UNIVERSITY – Newark, NJ

Organization _____

Date _____

Board Member ☐ CEO/Executive Director ☐

Please answer each question in the area provided (briefly and based on your immediate response to the question). *My thanks to you for helping to advance our teaching and research on nonprofit governance and management; your contribution to our work is appreciated.* Peter Hoontis

1. What are the **three** primary core **mission areas** of your organization?
2. What are the **three** primary **responsibilities** that individual board members have that give surety to the achievement of these core mission areas?
3. How is the **performance** of a board member, relative to the responsibilities you identified above, measured?
4. Do you believe individual board member performance impacts the **effectiveness of the organization**?

YES ☐ If yes, how?

NO ☐

_____ please email you response to: phoontis@rutgers.edu, mail to P. Hoontis, Rutgers University – Newark, School of Public Affairs and Administration, 111 Washington Street Room 304, Newark, NJ 07012, or fax to P.Hoontis 973.353.5907 – All response will be kept confidential. Peter Hoontis, Senior Research Associate, Rutgers University – Newark School of Public Affairs and Administration, 111 Washington Street Room 304, Newark, NJ 07102, 973-353-3703, phoontis@rutgers.edu

Appendix 2 - Methods Goal Statements

Focus Groups

The goal of the board focus groups was to establish a baseline of the degree of consensus board members had around four areas related to the two primary indicators for healthy participation traits (Rosener, 1978). The two primary indicators: Knowledge (the degree to which board members articulated the core mission areas of the organization) and Agreement (the degree to which board members articulated the primary board responsibilities and how they are evaluated on the achievement of them).

Survey

A four question survey (Appendix 1) was emailed to all members of the board and the CEO of the participating organizations in the study. The goal was to establish the degree to which there was consensus among board members around the two participation indicators noted above. In addition, the goal was also to provide a degree of triangulation of the data collection. The information garnered from the surveys allowed for comparison to both focus group and observational results.

Interviews

The CEO of each of the participating organizations was individually interviewed either in person or over the phone. And each completed the survey. The goal of the interview was to establish a clear understanding of the core mission areas of the organization, the responsibilities of board members, and the way in which board members are evaluated. In addition, the interview established a clear

understanding as to whether or not the CEO felt that the board's performance impacted the performance of the organization. This information was used to grade the degree to which board members expressed knowledge about the organization.

Observations

The goal of the observation was to compare the survey and focus group data with actual practice (a triangulation method). Observations took place in board meetings as well as in committee settings.

Appendix 3 – Focus Group Protocol**(IRB Approval 11-163 M)**

Title	Board Governance
Principal Investigator	Peter P. Hoontis, PhD student, School of Public Affairs and Administration, Newark
Audience	Nonprofit CEOs and Board Members
Introduction	<p>1. Thank you for agreeing to participate in this discussion on board practices and behaviors. Today we will explore the experiences you have had in managing the Board of Directors in your organizations. I have compiled a series of questions related to the expectations you have for your board and the outcomes you have witnessed. There is no particular sequence to the questions or who should respond. You are invited to expand on a topic, comment, and/or explore topics that may be related to the question. As you see we are videotaping this session. The reason for this is for me to remain focused on the discussion and not to be distracted by taking notes. This video will only be used by me and is confidential. I have a consent form which I would like to review with you, answer any of your questions, sign and initial where appropriate and date it.</p> <p>2. Before we begin I would like to review some ground rules and invite you to propose some as well. These include- active listening, letting people finish speaking before commenting, agreeing to disagree, being respectful, owning your words, expecting unfinished business, anything we missed?</p> <p>3. First, let's introduce ourselves.</p>

Purpose	The primary purpose is to understand executive directors' perceptions of the roles and the responsibilities of board members and how board members achieve these expectations. The secondary purpose is to better understand the processes and the techniques executives use to strengthen board members understanding and execution of these expectations. The expected outcomes include: creating baseline metrics for board performance and identifying potential participants for follow-up elite interviews. The goal is to use this information to structure a survey that will include 2000 nonprofit CEOs and 2000 Board Chairs in the Northeastern United States.
Focus Group Questions	<p>When you think of the topic 'board performance' what comes to mind</p> <p>What are some expectations you have for board members participating on your board?</p> <p>How do you believe your board members understand their role and responsibilities?</p> <p>How do you assess whether or not board members are achieving these expectations?</p> <p>What strategies do you use to assist board members in achieving these expectations?</p> <p>What methods do you employ to mediate conflict over unclear role expectations?</p> <p>How does board performance impact the performance of your nonprofit organization and how?</p> <p>What questions would you recommend be asked of board members regarding board performance and its impact on nonprofit effectiveness?</p>
Venue	Lunch – Rutgers Newark Campus – School of Public Affairs and Administration 111 Washington Street Newark, NJ 07102 – Room 309 - SPAA conference room and at the location of the participating organizations
Participants	Executive Directors of Nonprofit Organizations
Date	December 2010 – 2011

Letter of Introduction

September 9, 2011

Dear

I am a Ph.D. candidate, instructor, and researcher at the School of Public Affairs and Administration, Rutgers University- Newark. My research, teaching, and professional experiences are in the area of nonprofit governance, management, and organization effectiveness.

Currently, my research focus is on nonprofit board governance and the degree to which board performance impacts the performance of the organization. The approach I am taking is rather unique: a focus on the degree to which boards understand the goals of their participation and the degree to which they have knowledge and consensus as to their role in achieving these goals. As I am sure you know, most research focuses on the board's achievement of its strategic planning, executive supervision, mission promotion, fundraising, and fiduciary/statutory responsibilities; important characteristics; however, not the focus of my endeavor.

I am recruiting nonprofit multipurpose human service organizations to participate in this study. Participation includes three activities: allow me to 1) conduct a twenty-minute focus group with their board, 2) interview their chief executive officer (30mins), and 3) observe their board in session (optional).

The results of this study will be included in my dissertation (January 2012). The identity of all participating organizations and individuals as well as all transcripts from focus groups, interviews, and observations will remain confidential. I have obtained the University's Institutional Review Board's (IRB) approval for this research and will follow all University research protocols.

I would like to invite your organization to participate in this study.

My work with you and your board may be of use to you in the area of board training and development. I would be happy to offer an additional follow up report and consultation with you and/or your board/board committee, as my expression of thanks to your organization for participating in this study.

If you are interested in participating or have questions please contact me at phoontis@rutgers.edu or 973-353-3707.

Enclosed for your review is an abstract of my research proposal and my CV.

Sincerely

Peter P. Hoonits

Enclosures (2)

Consent Form

IRB Approval # 11-163

Peter Hoontis, principal investigator

INFORMED CONSENT FORM

Board Performance and the Efficacy of Nonprofit Organizations

You are invited to participate in a research study that is being conducted by Peter P. Hoontis, a doctoral candidate in the School of Public Affairs and Administration at Rutgers University, Newark as part of his research for his dissertation. The purpose of this research is to understand board members' and executive directors' perceptions of the roles and responsibilities of board members.

Approximately 10 – 20 nonprofit organizations will participate in this study. The study procedure includes participant involvement by volunteering to respond to questions asked by the investigator during the focus group. This research is confidential; however, participants may opt to have their identities disclosed by signing on the appropriate section below. Confidential means that the research records will include some information about you, such as your name, position title, the organization you represent, and your responses to the focus group questions. This information will be stored in such a manner that some linkage between your identity and the response in the research exists. Please note that I will keep this information confidential by limiting individual access to the research data and keeping it in a secure and locked location. At the conclusion of the project all materials, electronic documents, and handwritten notes will be kept in a secure and locked cabinet. This researcher and the Institutional Review Board at Rutgers University are the only parties that will be allowed to see the data, except as may be required by law. If a report of this study is published, or the results are presented at a professional conference, only group results will be stated. All study data will be kept for a period of three years.

There are no foreseeable risks to participate in this study.

You have been told that the benefits of taking part in this study include helping to strengthen future nonprofit executives work with voluntary boards. However, you may receive no direct benefit from taking part in this study. Participation in this study is voluntary. You may choose not to participate and you may withdraw at any time during the study procedures without any penalty to you. In addition, you may choose not to answer any questions with which you are not comfortable.

If you have any questions about the study or study procedures, you may contact Peter P. Hoontis, School of Public Affairs and Administration, Rutgers University, Newark, 111 Washington Street, Room 304, Newark, NJ 07102 973-353-3707 or at phoontis@rutgers.edu

If you have any questions about your rights as a research subject, you may contact the IRB Administrator at Rutgers University:

Rutgers University, the State University of New Jersey
Institutional Review Board for the Protection of Human Subjects
Office of Research and Sponsored programs
3 Rutgers Plaza New Brunswick, NJ 08901-8859 732-932-0150 ext. 2104 Email:
humansubjects@orsp.rutgers.edu

_____ (Initial)

**You will be given a copy of this consent form for your records.
Sign below if you AGREE to participate in this research study:**

Participant (Print) _____

Participant Signature _____ Date _____

Principal Investigator Signature _____ Date _____

Your signature below grants the investigator named above permission to DISCLOSE your identity.

Participant (Print) _____

Participant Signature _____ Date _____

Your signature below indicates that you wish your identify to REAMAIN CONFIDENTIAL.

Participant (Print) _____

Participant Signature _____ Date _____

AUDIO/VIDEOTAPE ADDENDUM TO CONSENT FORM

You have already agreed to participate in a research study entitled: *Board Performance and the Efficacy of Nonprofit Organizations* conducted by Peter P. Hoontis in conjunction with his dissertation proposal. I am asking for your permission to allow me to audio/video tape you as part of this focus group. You do not have to agree to be recorded in order to participate in this study.

The recoding(s) will be used solely for the purpose of analysis by this researcher.

The recording(s) will include any such identifiers as voluntarily provided by the participant, including name, position title, organization affiliation, and responses to the questions in the form of audio/video. The recording(s) will be maintained in locked storage by the principal investigator and will be maintained for three years.

Your signature on this portion of the form grants the investigator named above permission to record you as described above during your participation in the above referenced study. The investigator will not use the recording(s) for any other reason that those stated in the consent form without your written permission.

Participant (Print) _____

Participant Signature _____ Date _____

Principal Investigator Signature _____ Date _____

_____ (Initial)

Appendix 4 - Rosener Participation Effectiveness Matrix – Metrics Definitions

Knowledge is defined as understanding the organizations goals and the role the board member has in assisting in the achievement of these goals.

Agreement is defined as understanding the metric used to evaluate the board members performance and the degree to which the board members agree on how their work helps to achieve the organizations goals.

Consent Accountability is defined as the degree to which the majority of board members agree on the core mission areas of the organization, their responsibilities as a board member, -- and how they are evaluated.

High (healthy participation) v. Low (unhealthy participation) is determined by the degree to which there is agreement and consensus among board members as to what the organization's primary goals are, what their individual and collective role is in achieving them, and how their efforts to this end are evaluated. Healthy Participation occurs when there is symmetry between goal articulation and agreement and Unhealthy when there is divergence and disagreement. High or Healthy levels of participation traits are directly related to higher levels of effective organization performance.

Source: Rosener, 1978

Appendix 5 – Study Participants Profiles

Organization	CEOT	TOTP	BDS	BUD	CNR	F	I	S	O
1	20	10	25	11	3	X	X	X	X
2	5	10	28	8	3	X	X	X	X
3	3	9	15	2	3		X	X	
4	5	10	30	16.5	2		X	X	
5	5	5	15	4	2		X	X	
6	15	19	20	5	2	X	X	X	X
7	18	25	27	40	3	X	X	X	X
8	10	6	20	7	2		X	X	
9	14	14	20	5	3		X	X	
10	8	5	16	5	2		X	X	
Mean	10.3		21.6	9.35	2.5				
Total		113	216			4	10	10	4

CEOT: Tenure of the CEO in current position

TOTP: Total number of participants

BDS: Total number of Board Members

BUD: Total Organization Budget in millions

CNR: Charity Navigator Rating

F: Focus group

I: Interview

S: Survey

O: Observation

Participating Organizations: 4 Special Olympics; 2 JCCS, 4 YMCAs

Special Olympics

The mission of Special Olympics is to provide year-round sports training and athletic competition in a variety of Olympic-type sports for children and adults with intellectual disabilities, giving them continuing opportunities to develop physical fitness, demonstrate courage, experience joy and participate in a sharing of gifts, skills and friendship with their families, other Special Olympics athletes and the community. From a backyard summer camp for people with intellectual disabilities to a global movement, Special Olympics has been changing lives and attitudes for more than 43 years. It all began in the early 1960s, when Eunice Kennedy Shriver saw how unjustly and unfairly people with

intellectual disabilities were treated. She also saw that many children with special needs didn't even have a place to play. She decided to take action.

Special Olympics operate 220 worldwide locations. Each chapter is an independent 501-c (3) organization. In the United States, Special Olympics operate on a State-wide basis with outreach sites through the State service area. While each Special Olympics organization is an independent multi-purpose nonprofit organization, each unit is accredited by the national organization (Washington, D.C.) and pays annual affiliation dues.

Source: www.specialolympics.org

Jewish Community Centers

For more than one hundred and fifty years, the JCC Movement has nurtured *dos pinteleh Yid*, the spark of Jewishness, in North American Jews. It has done so in different ways at different times. At the beginning of the twentieth century, it helped Jewish immigrants adapt to their new homeland; in the middle of the century, it followed the children of those immigrants to their new homes in the suburbs, always supporting and enhancing their Jewish values and their love of Israel. Approaching the end of the century, the JCC Movement initiated a comprehensive renewal of Jewish education for adults that transformed the JCCs into bazaars of Jewish culture and heritage. Now, we are rededicating ourselves to fanning that spark of Yiddishkeit and making sure that our JCCs are places where people find themselves warmed and inspired by the eternal flame of Jewish life. There are 335 JCCs in the United States. Each operates as an independent 501 c (3) multipurpose human service organization and is governed

by an independent board of directors. Similar to the Special Olympics and the YMCAs, each JCC conforms to a set of National Standards and pays an annual affiliation fee to the National Organization.

Source: www.jcca.org Annual Report 2008

YMCAs

With a mission to put Christian principles into practice through programs that build a healthy spirit, mind and body for all, our impact is felt when an individual makes a healthy choice, when a mentor inspires a child and when a community comes together for the common good. In the U.S., the Y is comprised of YMCA of the USA, a national resource office, and more than 2,600 YMCAs with approximately 20,000 fulltime staff and 500,000 volunteers in 10,000 communities across the country. The Y engages 9 million youth and 12 million adults in 10,000 communities across the U.S. Worldwide; the Y serves more than 45 million people in 124 countries. Ys across the U.S. play an integral role in strengthening the leadership and youth programs of the Y around the world. We focus our work in three key areas, because nurturing the potential of kids, helping people live healthier, and supporting our neighbors are fundamental to strengthening communities. Each YMCA in the United States is a separate 501 c (3) multipurpose human service organization and as such conforms to set of national standards and pays an annual affiliation fee to the National Organization.

Source: www.ymca.net

Curriculum Vitae – December, 2011

Peter P. Hoontis
 1180 Raymond Boulevard - Apartment 11E
 Newark, New Jersey 07102
 646.732.5534
phoontis@gmail.com

Date and Place of Birth

Springfield, Massachusetts October 23, 1954

Education

- | | |
|-------|---|
| HS | Cathedral High School
Springfield, Massachusetts, 1972 |
| BS | Springfield College
Springfield, Massachusetts, 1976
Field of Study: Community Leadership and Development |
| MPA | New York University – Wagner School
New York, New York, 1999
Field of Study: Nonprofit Management
Thesis: <i>A Study Of The Political, Economic, Health and Education Conditions in Burma and a Proposal for Nonprofit and Private Sector Collaboration: Empowering Indigenous Burmese – Three Small Scale Interventions</i> |
| Ph.D. | Rutgers University – School of Public Affairs and Administration
Newark, New Jersey, 2012
Field of Study Public and Performance Management
Dissertation: <i>Consent Accountability and Improved Performance: An Examination of Effective Board Participation and Nonprofit Efficacy</i> , Committee Chair: Dr. Norma M. Riccucci, Ph.D. Program Director |

Nonprofit Professional Positions

Executive Vice President Chief Operating Officer, YMCA of Greater New York, NY - October 2004 – November 2008

Accountable for \$140M operating budget, 12% operating net; 20 branches, one 1100 acre residence camp, 1700 guestrooms, 30 operating executives, senior vice presidents, vice presidents, and 4000 employees. Service provided to 250,000 members, 175,000 youth, and 75,000 adults annually. New procedures and policies effected an improvement in executive accountability, leadership development, and operating results.

Vice President Operations - Executive Director, West Side YMCA of Greater New York, NY - 1998 to 2004

Managed \$15M operating budget, 10% operating net; 330,00 square foot facility, 480 guest rooms, 67 single room occupancies, 390 employees; serving 40,000 guests, 9,200 youth, 5,800 adult members, and 6,600 program participants annually. Dramatic improvements in fundraising and successfully managed a public relations challenge and facility construction project related to the sale of air rights on a portion of the property.

Vice President, Executive Director, YMCA of Greater New York, NY - 1994 to 1998

Directed YMCA operations in Queens and in the Bronx; total budgets in excess of \$10.0m. Responsibilities included the supervision of a staff of over 300, the oversight of five executive directors, and direct management of one unit. Improved program and financial results at all units; coordinated borough wide marketing and sale strategies.

Chief Executive Officer, YMCA of Cape Cod, MA - 1991 to 1994

Independent YMCA, 501-C3 organization, \$1.5m budget, staff of fifty, 100 acre camp facility serving the entire Cape Cod area; and saved the YMCA from bankruptcy.

Chief Executive Officer, YMCA of Rome, NY - 1983 to 1991

Independent YMCA, 501-C3 organization, staff of thirty, annual budget of 1.0m serving Oneida County. Expanded services to developmentally disabled; funded and built a new YMCA.

Director, Youth and Family Services, YMCA of Greater Springfield, MA 1977 to 1983

Supervised a \$1.0m department budget; with a staff of fifty, several outreach sites, and two day camp properties. Designed and launched major after school and delinquency prevention programs for inner city youth.

Academic Positions

Teaching Assistant – 2010 -2011 Rutgers University

Adjunct Lecturer – City College of the City University of New York – 2012

Workshop Presenter – City College of the City of New York – 2011

Publications

- Associate Editor – *Teaching Resource Guide for Public Affairs and Administration*, Second Ed. (2011)
- Contributor – *Public Administration An Introduction* (Holzer & Schwester, 2011)

- Peter Hoontis and TaeHee Kim. Antecedents to Municipal Performance Measurement Implementation: A Case Study of Two New Jersey Municipalities. *Public Performance and Management Review*, forthcoming.

Work in Progress

- Peter Hoontis, Lauren Bock Mullins, and Marco Ferreira. *Implementing Performance Budgeting at the State Level: Lessons Learned from New Jersey*.
- Weiwei Lin, Gregg Van Ryzin, and Peter Hoontis. *Exploring Antecedents of Public Attitudes toward Nonprofit Organizations*.
- Peter Hoontis, *Nonprofit and Public Strategic Partnerships*, In: *Public Solutions Handbook*, Marc Holzer, Editor in-Chief. Amok, NY: M.E.Sharpe.

Awards

Teaching Assistantship, Rutgers University 2010-2011

Doctoral Fellow, Rutgers University - 2011

Academic Leadership and Service

Director, Case and Simulations Portal for Public and Nonprofit Sectors – Rutgers University, Newark – School of Public Affairs and Administration
2010-2011

Presenter, Institute for Public Management and Economic Development,
November 2010

Presenter, Case Study of NJ Performance Budgeting to Governor's Cabinet,
October 2011

Tutor, United Nations Competitive Examination on Administration,
November 2011

Conference Papers and Presentations

- ASPA (American Society for Public Administration) March 2011 – *Strengthening Nonprofit Administration & Governance*
- ARNOVA (Association for Research on Nonprofit and Voluntary Action) November 2011 *Board Diversity and Government Funding*
- International Conference on Government Performance Management, October 2011 – *A Case Study on the Antecedents for Successful Implementation of Municipal Performance Management Systems*
- NECoPA (Northeast Conference on Public Administration), October 2011- *Exploring Antecedents of Public Attitudes Toward Nonprofit Organizations*
- Public Performance and Measurement Conference, September 2011 – *A Case Study: The State of New Jersey's Performance Management Program*

- ASPA (American Society for Public Administration) March 2012 – *Authority without Power: An Exploratory Study of Citizen Participation on Advisory Boards in Nonprofit and Public Organizations*

Professional Leadership and Service

Reviewer

- Public Performance Management Review (2009)

Panel Chair and Discussant

- NECoPA (Northeast Conference on Public Administration) – October 2010
- Public Performance Management Conference – September 2011
- ARNOVA (Association for Research of Nonprofit and Voluntary Sector Organizations) – November 2011

Community Service

- Member, Community Advisory Board, Martin Luther King Jr. High School - 2000
- Vice Chairman, West Side Chamber of Commerce - 2004
- Member, Mayor's Task Force on Ending Homelessness, New York City - 2003
- Member, National Society for Fundraising Executives, Central New York - 1990
- Member, New York State Runaway and Homeless Youth Committee - 1986
- Grant Reviewer, Health and Human Services - Administration for Youth and Families – 1992
- Past Member of the Rome and Cape Cod Rotary Clubs
- Past Member New York City Road Runners and Frontrunners Clubs

Courses/Lectures and Student Ratings

Nonprofit Budgeting

Strategic Management for Public Organizations (Spring 2012)

Grant Writing

Nonprofit Management (Rating: 5.0 out of 5.0)

Resource Development for Nonprofit Organizations (Rating: 5.0 out of 5.0)

Public Service Motivation (Class Lecture)

Executive Leadership Institute (2007-09)

Human Resource Management (Rating: 4.67 out of 5.0)

Baruch College - Executive MPA Program Lecture (2006 & 2008)

New York University - Wagner School of Public Service Lecture (2000)

References

- Marc Holzer, Ph.D., Dean, School for Public Affairs and Administration
Rutgers University – Newark
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ENDNOTES

¹ Defining board participation traits as the degree to which a board member can identify the major goals of the organization, the major responsibilities they have as members of the board, and how their work as a board member is evaluated

² Organizations included in the United States nonprofit sector are defined as those that have received the Federal Government designation as a tax-exempt organization 501.c-3 and have been granted a charter in the State(s) in which the operate

³ Defining the board of directors as those elected through the processes established by the institutions constitution and bylaws as approved by the members of the organization

⁴ 501(c)-3 is the Federal Government's designation for a qualifying tax-exempt charity. "These charitable organizations are exempt from federal taxes because of their religious, educational, scientific, and public purposes. The broad range of their activities includes health, human services, arts and culture, education, research, and advocacy" (Urban Institute, 2008)

⁵ I-990s are annual tax filings nonprofits are mandate to complete

⁶ State Charters grant the nonprofit organizations the right to operate including the raising of money through contributions in exchange for annual reporting to the Office for Charities a division of the Office of the State Attorney General

⁷ States often require Annual Reports to be filed by the charity with the State Attorney General's Office of Charities

⁸ Local municipalities require licenses and annual inspections for operating examples are – child care centers, food provision, pool operations, public assembly permits, and fire inspections

⁹ Boards of Directors of nonprofit organizations are defined as those elected to serve a specific term by the membership of the organization at the annual meeting of the organization.

Requirements for membership representation are detailed in the constitution and bylaws of the incorporation pares of the nonprofit organization filed with the State Attorney General as part of the organization's application for a charter to operate in the State

¹⁰ The role of supervising the executive director is the sole responsibility of the board of directors and includes hiring and compensating. This is the only paid staff position supervised by the board. The executive director supervises all other staff.

¹¹ Good board governance is defined as how much money board members raise and give, what skills they bring to the organization, and who they know in the community

¹² The three T's – time, talent, and treasure are often referred to as the skills which board members bring to their service on the board – time; the willingness to attend meetings and events; talent: the willingness to share one's expertise business or otherwise to the benefit of the organization; treasure: to give money and to get money (donations) for the organization, many organizations have set minimum requirements for each of these metrics

¹³ The three W's as in note 11 this is just yet another acronym for describing the board member's responsibilities, overly simplified and not always relevant to effective board governance

¹⁴ Charity Navigator is a nonprofit organization <http://www.charitynavigator.org/> see note 21

¹⁵ Board skills are defined as those tangible contributions a board member makes through their participation on the board – knowledge – money – time - contacts

¹⁶ Organizational outcomes are defined as the number of people served, the financial results of the organization, and the other quantifiable metrics

¹⁷ We define consent accountability as the degree to which the majority of board members agree on the core mission areas of the organization, their responsibilities as a board member, and how they are evaluated

¹⁸ The board participation traits of knowledge and agreement are defined as noted in note 13 and note 14 (above)

¹⁹ The CEO is hired and supervised by the board of directors (the entire board not a committee), the CEO is the only paid employee of the organization that directly reports to the board of directors, all other employees report to and are supervised by the CEO or their designee

²⁰ SOX – Sarbanes-Oxley is the legislation that was passed in 2002 to improve accountability and transparency for public traded companies, It was passed in reaction to the Enron, WorldCom, and other private profit sector scandals

²¹ Charity Navigator is a nonprofit organization that rates nonprofit organizations based on two criteria: financial performance and accountability/transparency. Charity Navigator uses the IRS I-990 filings as their primary source of data as well the websites of the 5500 charities they evaluate and rate.

²² GuideStar is a website which offers nonprofit organizations to post information about their organization on this site. Donors and participants are also encouraged to post information on the charities they are involved with.

²³ SOX – The Sarbanes-Oxley Act of 2002 named after the two congressmen who sponsored the legislation. It includes two mandates for nonprofits: document retention and whistle blower program

²⁴ Knowledge is defined as understanding the organizations goals and the role the board member has in assisting in the achievement of these goals.

²⁵ Agreement is defined as understanding the metric used to evaluate the board members performance and the degree to which the board members agree on how their work helps to achieve the organizations goals

²⁶ “Less quantifiable” in this context means those traits that are related to understanding the role, responsibilities, and expectations of membership on the board as an individual and as a member of the larger body in versus “quantifiable “ traits such as how many meetings they attend, the amount of money they donate, how many times they volunteer their professional services which are more often studied and written about

²⁷ See note 21

²⁸ The other rating agencies are Better Business Bureau <http://www.bbb.org/us/charity/>, American Institute of Philanthropy (AIP) www.aip.org, and GuideStar <http://www2.guidestar.org/>

²⁹ Multi-purpose human service is one of twenty-six designations recognized by the IRS and developed by the Urban Institute’s National Center for Charitable Statistics – the NTEE (The National Taxonomy of Exempt Entities)

³⁰ NCCS – National Center for Charitable Statistics is part of the Urban Institute

³¹ In a focus group of five nonprofit executive directors (December, 2010 conducted by this researcher) revealed that the single most difficult challenge executives have with boards is in educating them about their responsibilities for raising money, setting and overseeing policy, supervising the executive, and promoting the organization

³² NPR – The Nonprofit Performance Rating (Nonprofit Rating) was calculated using the raw scores on each organization from Charity Navigator and from Rosener Participation; these two numbers were entered into the Charity Navigator rating formula as detailed in Exhibit 5

³³ K1 – being able to identify the core mission areas of the organization

³⁴ A2 – liking the board members successful fulfillment of their responsibilities to the performance of the organization

³⁵ K2 – understanding specific board responsibilities

³⁶ A1- agreeing on how their (the board member) work is evaluated