Nonprofit Board Members' Self-Perception in the Role of Organizational Governance and The Balanced Scorecard

Jeffrey John Aulgar
University of Arkansas, Fayetteville

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Nonprofit Board Members’ Self-Perception in the Role of Organizational Governance and *The Balanced Scorecard*
Nonprofit Board Members’ Self-Perception in the Role of Organizational Governance and The Balanced Scorecard

A dissertation submitted in partial fulfillment of the requirements for the degree of Doctor of Education in Workforce Development Education

By

Jeffrey J. Aulgur
Hendrix College
Bachelor of Arts in History, 1986
University of Arkansas
Master of Arts in History, 1991
Arkansas Tech University

August 2013
University of Arkansas

This dissertation is approved for recommendation to the Graduate Council:

_______________________________________
Dr. Jules Beck
Dissertation Director

_______________________________________
Dr. Kit Kacirek

_______________________________________
Dr. Kenda Grover
ABSTRACT

This qualitative case study examines the gap between expectations of board performance held by the senior leadership and the governing board’s self-perception of their role in the governance of the nonprofit organization. The primary research question is: Is an analysis of the gap between governance expectations and the board members’ self-perception of governance performance an effective methodology for enhancing the efficacy of the governing board of directors?

Nonprofit governance and its effectiveness are difficult concepts to define, given the wide disparity in organizational sizes, structures, and missions. While the academic literature does not identify a dominant methodology for organizational effectiveness and governance in nonprofit organizations, the Balanced Scorecard, developed by Robert Kaplan and David Norton in 1990, may provide a viable option to nonprofit sector.

Findings of the study include the challenges of an embryonic nonprofit organization, the ways in which governance efficacy is influenced by board member nonprofit experience, how the board member’s self-perception of role affects organizational effectiveness, and the influential role of the executive director in the nascent nonprofit organization.
ACKNOWLEDGMENTS

The completion of my dissertation brings to an end a journey that began as the pursuit of a Ph.D. in History in Fayetteville in January 1988 and ends 25 years with an Ed.D. in Workforce Development from the University of Arkansas. I cannot possibly begin to thank everyone who supported or influenced me during this expedition but I will attempt to do so. First of all, my grateful appreciation to Dr. Jules Beck, who agreed to assume the chair this endeavor during its final stage. You continually challenge me to be a better writer and for this I am very appreciative.

To my committee members, Dr. Kit Kacirek and Dr. Kenda Grover, thank you very much. You have been a part of my journey from admissions interview to commencement. Your encouragement, support and guidance have all been critical to my success. I cannot thank you both enough. And to my now-retired advisor, Dr. Dale Thompson, I truly hope you are enjoying Hawaii and a decent rock concert every now and then.

I owe a great debt of gratitude to my editor, Nan Deyo. Thank you for all you have done. Special thanks to my peers and cheerleaders during this journey: Shelli Henehan, Micki Voelkel, Patti Flores-Isom, Doug Younger, and Jules Douglas. Your encouragement is priceless. Thanks to my dean, Dr. Mary Ann Rollans, for your trust in my abilities and your support. I owe many thanks to my friends and family for allowing me to complete this doctoral journey. I cannot possible name all of the people who have influenced my academic pursuits, many of whom are no longer here to celebrate with me.

And, finally, thanks to Bono, the Edge, Larry, and Adam for providing the soundtrack of my life.
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CHAPTER ONE

INTRODUCTION

In its sixth year as a nonprofit corporation, Therapy Services, Inc. (TSI) is located in west central Arkansas. The name of the subject entity has been changed to protect the anonymity of the organization. The organization provides hippotherapy and therapeutic riding, primarily to children with a wide range of cognitive and physical disabilities and occasionally serves adults, as well. Hippotherapy is a physical, occupational, and speech therapy treatment that utilizes the movement of horses as a part of an integrated treatment program. Therapeutic riding uses the riding skill development of individuals with disabilities to achieve a variety of outcomes, based on the individual service needs of each client.

Prior to entering the field of higher education in 2007, I spent 17 years as a nonprofit professional in Arkansas. My professional work over this period involved three comprehensive providers of nonprofit services to children and adults with developmental disabilities. As such, the field of services to individuals with special needs is one that is very familiar to me. However, while familiar with hippotherapy, none of the organizations for which I worked provided that therapy service. I have served on boards and consulted for a number of nonprofit organizations in Arkansas since leaving direct services. My awareness of TSI has grown due to my current membership on the board of directors of the local United Way, serving three west central Arkansas counties.

Having served on both sides of the governance-management relationship in the nonprofit domain, I am fascinated by how each board of directors selects its manner of governance. My experience is anecdotal, but is nonetheless both broad and varied, encompassing over 20 years. That anecdotal experience has motivated me to research nonprofit board governance. My
perspective is that no one board of directors governs its nonprofit organization in a pre-defined manner, despite very detailed and prescriptive models available through the normative literature. Additionally, I am not aware of a nonprofit governance model that directly addresses the unique needs of an embryonic nonprofit organization. Professional consultation and strategic planning assistance are most often out of the financial reach of a developing nonprofit organization. My intent in this research is to combine my professional experience with academic training that has contributed to my understanding of the governance of the emerging nonprofit corporation. While my choice of TSI is one of convenience, it is an organization meeting the criteria as a case study subject in the governance and internal processes of an emerging nonprofit organization.

**Background and Context**

In 2009, the Arkansas Coalition for Excellence (ACE), in collaboration with the University of Arkansas at Little Rock Center (UALR) for Nonprofit Organizations and the UALR Institute for Economic Advancement, published *The Benefit of Doing Good: The Structure, Contribution, and Impact of Arkansas Nonprofits on the State’s Economy*, clearly outlining the multiple benefits provided to the economy of Arkansas by charitable entities. During the period 2005-2007, nonprofit organizations in Arkansas paid over $2.3 billion in direct wages, employed 69,405 individuals (4% of private employment in Arkansas) and, between 2005 and 2008 (Arkansas Coalition for Excellence, 2009), generated over $9.9 billion in total revenue. Nationally, the percentage of the United States Gross National Product (GDP) generated by nonprofit entities in 2009 was $751 billion, or 5.5% of national GDP, and the sector employed over 13.5 million individuals, or 10% of all national employment (Independent Sector, 2011).
The designation *nonprofit organization* refers to “agencies with nonprofit and charitable status, governed by a board of directors, delivering programs and services, and for the most part involving volunteers in the service of delivery” (Inglis, Alexander, & Weaver, 1999, p. 155). The community of stakeholders entrusts the board of directors to guide the organization in the community’s stead (Holland, 1998). The role of the board of directors, as identified by Cornforth (2001), is to provide: strategic direction and policy making; external accountability and stakeholder relations; supervising and supporting management; the stewardship of organizational resources; and maintenance of the board itself.

A nonprofit corporation cannot distribute its earnings to private owners, members, directors, officers or shareholders who benefit personally from the activities of the organization (Barnes, n. d.; Cornell University School of Law, 2011). The nonprofit status of a corporation is conferred by the state in which it is physically formed and located; however, tax-exempt status may only be awarded by the Internal Revenue Service [IRS] of the United States. According to the IRS (2010a), an organization “may qualify for exemption from federal income tax if it is organized and operated exclusively for one or more of the following purposes,” (p. 20) including religious, charitable, scientific, testing for public safety, literary, educational, fostering national or international amateur sports, or the prevention of cruelty to children or animals. To qualify for this exemption, the organization must be a corporation, community chest, fund, or foundation.

As defined by Wolf (2000), nonprofit organizations in the United States are “legally constituted, nongovernmental agencies incorporated under state law as charitable or not-for-profit corporations that have been set up to serve some public purpose and are tax-exempt according to the IRS” (p. 20). There is no legal prohibition preventing a nonprofit corporation
from generating a surplus, i.e., having revenues that exceed expenses at the end of a fiscal year. There is a common misconception that nonprofit corporations must have a zero-sum bottom line; however, the restriction to a nonprofit corporation is that excess fiscal year or annual revenues may not be distributed as profits. Such revenue must be reinvested in the nonprofit in some form or fashion (IRS, 2010b). In fact, it is considered to be prudent for nonprofit organizations to project a budget excess each year beyond additional fundraising efforts, as this is an important mechanism to raise seed monies for capital improvements, increased expenses, expansion, and increased employee wages.

Nonprofit corporations cover a broad spectrum of services and operations: 501(c)(3) charities, such as the American Cancer Society or the United Way; foundations, such as the W.K. Kellogg Foundation or the Arkansas Community Foundation; social welfare or advocacy organizations, such as the American Civil Liberties Union or the Southern Poverty Law Center; professional/trade associations like the Chamber of Commerce or the Arkansas Coalition for Excellence; and religious organizations, and so on. Additional entity exemptions from federal income tax are identified in Section 501(c) and include, but are not restricted to, 501(c)(5) Labor, Agricultural and Horticultural organizations, 501(c)(6) Business Leagues; 501(c)(7) Social and Recreation Clubs, and 501(c)(4), 501(c)(9), and 501(c)(17) Employees’ Associations (IRS, 2010a). This research examines a single 501(c)(3) organization.

Individuals who serve as members of a nonprofit board of directors are the organization’s ambassadors, advocates, and community representatives who function as stewards of the public trust by exercising a legal and fiduciary responsibility (Kendall, 2009; Wolf, 2000). Nonprofit directors in the United States are, with few exceptions, unpaid volunteers with a commitment to the organization’s mission. Since the 1960s, nonprofit organizations in the United States have
grown in both size and complexity and represent at least 9% of gross domestic product (Salamon, 2002). In the wake of recent mismanagement of nonprofit assets and resources, nonprofit boards of directors have reassessed their roles and the stewardship with which they are entrusted (Connelly, 2004). Green and Griesinger (1996) found that most nonprofit organizations lacked commitment to board member training and development. However, as the vast majority of non-profit organizations in the United States are governed by a volunteer board of directors, the lack of time available for volunteers, combined with little or no emphasis on board member development, has contributed to a sector administered by individuals who oftentimes have little knowledge about nonprofit governance.

The basic nonprofit governance model in the United States is well-defined. Typically, a volunteer board of directors is responsible for the overall governance and well-being of the corporation. The board of directors (sometimes referred to as a board of trustees) has six main responsibilities: to provide adequate resources to sustain their organization’s mission, to establish organizational policies and mission, to establish organizational operating procedures, to employ/terminate the executive director/chief executive officer, to accept a fiduciary oversight obligation with fiscal policy and boundaries, and to maintain a communication link to the community (Wolf, 2000). Nonprofit organizations are afforded a non-taxable status by the federal government because their defined mission is for the public benefit. The board of directors is responsible for ensuring that the public benefit is met on a continual basis and that any revenues are used only for the stated mission of the corporation. It is the responsibility of each nonprofit organization’s board of directors to determine how responsibilities are met through the governance function.
Organizational effectiveness is a term with no single definition or scenario in relation to the nonprofit community; it is difficult to define, much less measure, due to the wide disparity of the nonprofit community in the United States, including the varying types of nonprofit organizations and their wide range of financial capabilities, resources, and missions. That inconsistency in the nonprofit sector leads to a broad array of hypotheses in the nonprofit literature that would measure organizational effectiveness. Callen, Klein, and Tinkelman (2003) argued that no single criterion of organizational effectiveness is viewed equally in the nonprofit community. A clear mechanism behind a well-performing board and an effective organization does not exist (Mwenja & Lewis, 2009). Mwenja and Lewis (2009) stated that organizational performance is ultimately a social construct – one that, combined with poorly articulated goals, makes the development of a single model of measurement of nonprofit effectiveness virtually impossible.

Nonprofit organizational effectiveness, suggested Herman and Renz (2008), is always multidimensional and a matter of comparison. They offered nine key traits to consider when examining nonprofit effectiveness:

- Always comparative
- Multidimensional
- Related to board effectiveness (although how is not clear)
- Related to the use of correct management practices
- A social construction
- Universal “best practices” are unlikely to exist
- Organizational responsiveness is an effective organizational-level measure
- Distinctions among nonprofits must be made, and
The depth and breadth of the analysis must be considered

Herman and Renz (2000) claim that nonprofit organizational effectiveness is directly related to the effectiveness of its board of directors. However, O’Regan and Oster (2005) maintained that it is very difficult to empirically measure the relationship between organizational success and the effectiveness of its board of directors.

One hypothesis offered measured nonprofit efficiency in relation to the composition of the board of directors and the ability of the governing body to manage three specific areas: the ratio of administrative expenses to total expenses, the ratio of fundraising expenses to total expenses, and the ratio of program expenses to total expenses (Callen, Klein, & Tinkelman, 2003). Callen et al. found a statistical association between organizational effectiveness and the presence of individuals considered to be major donors on the board of directors; however, that study was limited by its focus on revenue, expenses and the source of funds. Brown (2005) cited the difficulty of relying on financial performance indicators as a measure of organizational effectiveness because the nature of nonprofits, as described earlier, does not allow for a standardized method of relatively measuring fiscal performance. In fact, Brown continued, budget size or the amount of revenue generated by a nonprofit does not necessarily indicate the organization is effective in delivering its stated mission.

**Agency Theory.**

Brown notes that agency theory is the most significant explanation as to how a board of directors may improve organizational effectiveness (2005). Agency theory posits a state of conflict between the governing board of directors and the executive (or executive team) who manages the nonprofit organization. In the for-profit corporate environment, agency theory represents the protection of stockholder interests from potentially self-interested actions from the
corporate management team. As identified by Brown, in the nonprofit community, the board serves to protect the organization’s mission by connecting the management team’s decision-making process to the mission and values that define the organization’s purpose.

**Resource Dependency Theory.**

A second major theory of organizational management is resource dependency theory, which states the board of directors’ primary function is to connect the organization to the sources essential to its survival and its success by providing board capital (e.g., financial resources, potential benefactors, advice, and counsel) (Brown, 2005). The board’s ability to deliver capital is necessary to develop and maintain organizational effectiveness. Resource Dependency acknowledges the board of directors’ ability to maximize external connections which, in turn, enhance the organization’s reputation as well as augmenting the donor base (Mwenja & Lewis, 2009).

**Group/Decision Process Theory.**

Group/decision process theory argues that the most effective governing boards are self-developing, with an emphasis on training and membership roles that affect how information is managed, decisions are made, and how the management team and board of directors interact with one another for the benefit of the organization (Brown, 2005). Critical components of group/decision process theory include diversity, board membership, board development through training and the interpersonal relations of those involved (Brown, 2005; Mwenja & Lewis, 2009). Group/decision process theory states that for the organization to function effectively, the board of directors, in relation to the management team, must function effectively. The varied experiences and backgrounds of the members of the board of directors, combined with the establishment of processes and procedures by the board, may allow the organization to perform
in a more effective manner than it would otherwise if it were in the presence of diversity (Mwenja & Lewis).

Ultimately, there is not a single theory or hypothesis capable of meeting the challenges of nonprofit governance; each nonprofit must evaluate available options and select a path based upon its own collection of personalities, culture and external pressures (Brudney & Murray, 1998).

**The Balanced Scorecard.**

While the academic literature does not identify a dominant methodology for organizational effectiveness and governance, the Balanced Scorecard, developed by Robert Kaplan and David Norton in 1990, may provide a viable option for nonprofit organizations (Niven, 2005). The Balanced Scorecard posits that financial measures will remain a critical focus area in corporations but financial measures alone will not effectively project corporate success. Financial metrics remain critical to shareholders in a corporation in the for-profit domain but, in the non-profit community, the dominant focus is not on profits but rather on the organization’s customers and its ability to meet its mission (Niven, 2010). The intent of the Balanced Scorecard approach to organizational strategic planning is to translate the vision and strategy of the organization into performance measures (Niven, 2005).

Effective strategic planning may not be a simple process and it may be cost prohibitive, based on the resources of the organization. Kaplan (2001) argues that nonprofit organizational success should be measured by the organization’s ability to meet the needs of its customers in an effective and efficient manner. Kaplan further states that finances will remain critical as either an enabler or as a constraint to a non-profit organization, but such consideration will rarely be the primary factor in strategic planning. Financial measures may provide an excellent
backwards-looking perspective on how an organization has performed financially in the past but it provides little information regarding future performance (Niven, 2005).

According to Kaplan (2001), the “Balanced Scorecard was developed for the private sector to overcome deficiencies in the financial accounting model, which fails to signal changes in the company’s economic value as an organization makes substantial investments in intangible assets” (p. 357). Such intangible assets may include skills, motivation, employee capabilities, customer acquisition, customer retention, information technology, and so on. Constituent satisfaction and cost containment, and not strict financial success, are outcomes thought of as the most critical components by the nonprofit community (Ronchetti, 2006). Focus and alignment is difficult in nonprofit corporation strategic planning because the employee commitment to the mission comes with preconceived outcomes and, for that reason, it is critical that strategic planning efforts be presented with clarity and driven to the lowest levels of the organization (Kaplan, 2001; Niven, 2005).

Strategic themes in the Balanced Scorecard must be derived from the organization’s vision and mission and developed through four domains: financial, internal processes, customer, and learning and growth (Ronchetti, 2006). The financial domain defines desired financial performance measures for the organization based on vision and mission; however, in the nonprofit community, finances are often viewed as a constraint (Kaplan, 2001; Ronchetti, 2006; Zimmerman, 2004). Rather than financial performance, the second domain, internal processes, identifies which internal business processes must excel to satisfy stakeholders and deliver the desired value to all stakeholders in the organization (Ronchetti, 2006; Niven, 2005). The internal processes domain also includes innovations to deliver new products and services (Kaplan). The customer domain is critical to nonprofit organizational viability and establishing the value
proposition for its stakeholders and constituents (Ronchetti). Finally, the learning and growth domain of the Balanced Scorecard allows the organization to identify and prioritize the skills, knowledge and needs of the first three domains that satisfy the goals of the mission and maintain customer satisfaction as the overall priority, instead of the financial perspective in the nonprofit organization (Ronchetti). Kaplan (2001) adds that the needs in this domain may include employee motivation, retention, capabilities, and mission alignment. The Balanced Scorecard has proven successful as a strategic planning methodology, in part due to its ability to align intangible assets to strategy and to not improve one domain at the expense of another (Ronchetti, 2006; Kaplan & Norton, 2004). Potential restrictions to nonprofit corporations’ implementation of the Balanced Scorecard as a strategic planning and effectiveness instrument are a multi-year commitment, managers inexperienced with measurement programs and metrics, and resource commitment (Ronchetti, 2006; Zimmerman, 2004).

The Balanced Scorecard may be effectively deployed by nonprofit organizations as a strategic planning mechanism with a focus on organizationally-defined outcomes and metrics to gauge organizational effectiveness. Metrics must measure the outcomes the organization desires for which measurements and metrics are unavailable (Zimmerman, 2004). Ronchetti (2006) identifies five key points critical to a successful nonprofit deployment of the Balanced Scorecard: select a leader with knowledge of the business and measurement outcomes; conduct a kickoff event to define and clarify Balanced Scorecard terminology; define metrics for the growth and learning domain; be prepared to address change during the process; and cascade objectives down to the operational level. Kaplan (2001) suggests that nonprofit organizations redefine the Balanced Scorecard by placing the customer domain at the top of the scorecard’s visual structure instead of the financial domain, as it represents the dominant domain in for-profit
organizations. By placing the customer and the mission at the top of the Balanced Scorecard, Kaplan continues, the organization is identifying the accountability between it and society’s charge.

Problem Statement

Nonprofit organizations, both in the United States and globally, vary greatly in size, scope and complexity. Nonprofit organizations include fraternal organizations, civic clubs, direct service corporations, private foundations, and so on. With such a disparity in organizational size, structure and mission, it is not difficult to understand why nonprofit governance and nonprofit effectiveness are difficult concepts to define for both the academic and the practitioner. Boards of directors for nonprofit organizations are often selected based upon the perceived stature of the organization in the community and not necessarily for the identified skills or nonprofit experience any individual brings to organizational governance. The majority of nonprofit organizations have no direct governance guidance other than the directives established by the organizations’ own boards of directors. A lack of governance consistency across the sector creates an environment where standardization of organizational effectiveness in the nonprofit community is almost impossible. Given the lack of external guidance, nonprofit organizations are left to decide for themselves what constitutes effective board development and governance. Ultimately, there is no single theory or hypothesis capable of meeting the challenges of nonprofit governance; each nonprofit must evaluate the available options and select a path based upon its own collection of personalities, culture, and external pressures (Brudney & Murray, 1998).
Statement of Purpose and Research Questions

Herman and Renz (1999) examined the literature concerning nonprofit effectiveness and identified six predominant theses. The authors cautioned that a potential weakness of an institutional theory of nonprofit effectiveness “is that the distinction between the reality and the evaluation of effectiveness is perhaps illusory and without meaning” (p. 110). The six theses of nonprofit organizational effectiveness postulated by Herman and Renz are:

1. Nonprofit organizational effectiveness is always a matter of comparison (p. 110).
2. Nonprofit organizational effectiveness is multidimensional and will never be reducible to a single measure (p. 110).
3. Boards of directors make a difference in the effectiveness of nonprofit organizations, but how they accomplish this is not clear (p. 113).
4. More effective nonprofit organizations are more likely to use correct management practices (p. 116).
5. Nonprofit organizational effectiveness is a social construction (p. 118).
6. Program outcome indicators as measures of effectiveness are limited and can be dangerous (p. 119).

Herman and Renz also note that the most effective organizations and the most effective boards of directors are those choosing to implement and practice tools of organizational effectiveness, such as strategic planning, mission planning, and board evaluation; however, there is no consensus as to what tools fit a particular organization due, in part, to the wide disparity in the types and sizes of nonprofit organizations. Herman and Renz make this clear: “There is no specific behavior that seems to identify effective boards across all studies” (p. 115), which
results in the inability to explain in what way and how nonprofits are particularly effective or ineffective.

Through a comprehensive examination of a single nonprofit organization located in west central Arkansas, this study examines the gap between the expectations of board performance by the nonprofit organization’s senior leadership and the board members’ self-perception of their role in the governance of the organization. The selection of the organization for the case study is a critical component - an organization in west central Arkansas was chosen to give the researcher maximum opportunity to interview members of the board of directors as well as critical staff members and to attend board meetings, committee meetings, and organizational events.

The purpose of this case study is to conduct an analysis of the gap between the expectations of board performance by the nonprofit organization’s senior leadership and the board members’ self-perception of their roles in the governance of the organization. To explore this gap between expectations and performance, the following research questions are addressed:

1. How do the members of the board of directors perceive their role as the governing body in governance and operations?
2. How do the members of the board of directors perceive the role of the chief executive officer/executive director of the organization?
3. Can the members of a board of directors evaluate their role and performance in utilizing components of The Balanced Scorecard?
4. How can the results of a gap analysis delivered through process consulting improve the performance of the governing board of directors of this nonprofit organization?

**Research Approach**

The case study examined how the board of directors’ role in the governance of the nonprofit organization can be influenced by accreditation or comparable nonprofit standards; how the board of directors’ role can shape third-party stakeholders such as private or public
funding; and how the board of directors’ influence is implemented by the organization’s chief executive officer or executive director.

TSI is a 501(c)(3) nonprofit enterprise located in west central Arkansas. The organization serves children and adults with a wide range of physical, cognitive, mental and emotional disabilities through hippotherapy and therapeutic riding. Hippotherapy is a physical, occupational and speech therapy treatment strategy that utilizes equine movement. Therapeutic riding is a term encompassing a variety of equine activities in which people with disabilities participate, with a focus on riding skills development (TSI, 2011). According to the organization’s website, TSI’s mission is to “enrich the lives of persons with special needs/disabilities and foster functional independence with increased self-confidence and improved skills of daily living through the use of safe and enjoyable therapeutic, equine-assisted activities.” The organization’s annual budget is approximately $65,000. The current board of directors consists of thirteen (13) community volunteers. The professional staff consists of an executive director and a therapeutic riding instructor.

Interviewing non-profit board members is one part of the qualitative data collection process. Direct observation of board meetings of the agency may yield a different dynamic or clarity concerning the relationship between the board and the chief executive officer. The chief executive of the organization must be interviewed separately from the members of the board; to analyze the role of non-profit board members only from the perspective of the board of directors would only examine a single side of the relationship. One research goal is to achieve substantial, if not 100%, participation by board members. Hence, follow-up requests will be made to all non-responders to schedule interviews. Data collection is not limited to the interview protocol. The data pool will draw on multiple resources, including observation of board meetings, committee
meetings, organizational documents such as by-laws, articles of incorporation, board meeting minutes, Internal Revenue Service Form 990, web presence, and publicity publications.

Triangulation of the data from multiple sources is a necessary component of the research strategy to confirm the validity of potential outcomes (Tellis, 1997). Informal conversations, exchanges or observations yielding relevant data will be utilized as opportunities present themselves.

Glaser and Strauss (1967) used the term “slices of data” to identify the results of the use of multiple sources of data, a variety of data, and views produced from varying vantage points. The collection of demographic data from the organization’s board members adds interest to the study as it serves as material supportive to the qualitative data.

Assumptions

Based on my personal experience in nonprofit governance and nonprofit organizational management, four assumptions were made regarding this study:

- Nonprofit organizations throughout the world vary greatly in size, scope and complexity and include fraternal organizations, civic clubs, direct service corporations, private foundations, and so on. With such a disparity in organizations, it is not difficult to understand why nonprofit governance and nonprofit effectiveness are difficult concepts to define for both the academic and the practitioner;

- Nonprofit boards of directors for most organizations are often selected based upon the perceived stature of the organization in the community, and not necessarily for identified skills or nonprofit experience an individual brings to organizational governance.

- The majority of nonprofit organizations do not have any direct governance guidance other than the directives established by the organizations’ own boards of directors. A lack of consistency across the sector in terms of governance creates an environment where standardization of organizational effectiveness in the nonprofit community is almost impossible. Given a lack of external guidance, nonprofit organizations are left to decide board development and governance for themselves.

- Enhanced nonprofit governance and operational efficacy will be possible in non-profit organizations of all types and sizes if they are provided with knowledge about an effective planning paradigm and the organization commits the time, resources and effort to implement that paradigm.
**The Researcher’s Interest**

In a case study involving a single researcher, I must maintain awareness of my own biases as well as the limitations inherent in the study of single entity by an individual researcher. Validation strategies are necessary to control for, as much as possible, any unintentional bias. I have nineteen years of experience with nonprofit organizations in the state of Arkansas, either as an employee, volunteer or board member. From an employment perspective, the majority of my nonprofit experience was in the field of developmental disabilities. In this capacity, I served as a direct care worker, case manager, rehabilitation and vocational specialist, development officer, community services director and vice president of development and administrative services. I have completed the Certified Volunteer Manager program through the Arkansas Public Administration Consortium, developed and supervised a two-year AmeriCorps program through the National Service Corporation and have served as a volunteer board member for a public arts center, on a volunteer fire department, a chamber of commerce, a civic club, and a statewide association of nonprofit organizations. In addition, I have provided organizational management training and strategic plan facilitation to a number of nonprofit organizations.

**Significance of the Study**

What is the significance of a single case study? Case study research may be defined as “an in-depth, multifaceted investigation, using qualitative research methods, of a single social phenomenon” (Feagin, Orum, & Sjoberg (Eds.), 1991). Gerring’s (2004) definition of case study research expanded the general definition of Feagin et al. by including the researcher’s desire to illustrate the details of a broader class of like subjects. The case study approach affords the researcher an opportunity to gain a nuanced view of reality only achieved by immersing himself in the subject provided by the proximity and availability of the subject (Flyvbjerg, 2006).
The single case study research of TSI provides an opportunity to gain, as described by Flyvbjerg (2006), a nuanced view of reality of the governance of a fledgling nonprofit organization. Conducting individual semi-structured interviews with the participating board of directors, the executive director, and primary benefactor of the organization provides an opportunity to gain a level of intimacy and depth not available through a quantitative approach. My goal is to utilize the knowledge attained through this research effort to assist in the development of a process-based analysis model to aid emerging nonprofit organizations in their governance efforts.

**Explanation of Key Terms**

*Board Competencies.* Pattern of behaviors distinguishing high-performing boards from their less successful counterparts, as defined by Chait, Holland, and Taylor (1996).

*Board Culture.* Board dynamics, organizational values, communication styles, and degrees of trust, as defined by Gill, Flynn and Reissing (2005).

*Board Effectiveness.* Board members planning and evaluating the fulfillment of board accountability and leadership growing in responsibility, knowledge, and pride, as defined by Houle (1960).

*Board of Directors.* An active and responsible governing body, holding regular meetings, whose members have no material conflicts of interest and serve without compensation, as defined by O’Connell (1985).

*Board Structure.* The extent to which the board has the clarity of structure necessary for effective governance, including bylaws, policies, and role descriptions, as defined by Gill et al. (2005).
**Governance.** A nonprofit board of directors’ responsibility to define the organization’s mission and provide overall leadership and strategic direction to the organization, as defined by Chait, Ryan and Taylor (2005).

**Nonprofit Organization.** Organization that is organized, private, self-governing, non-profit-distributing, and voluntary, as defined by Salamon and Anheier (1997).

**Risk Management.** Evaluates the regularity of review of bylaws and policies, compliance with these and with relevant legislation, and safeguarding against financial and other risks, as defined by Gill et al. (2005).
CHAPTER TWO
REVIEW OF THE LITERATURE

Not-for-profit Organizations

The term “nonprofit organizations” refers to “agencies with nonprofit and charitable status, governed by a board of directors, delivering programs and services, and for the most programs involving volunteers in the service of delivery” (Inglis et al., 1999, p. 155). More recently, Karin Kreutzer (2009) defines nonprofit governance “as the set of processes, customs, policies, and laws affecting the way in which a nonprofit organization is directed, administered, or controlled” (p. 117). The community of stakeholders entrusts the board of directors to guide the organization in the community’s stead (Holland & Jackson, 1998). Nonprofit organizations provide goods and services for the benefit of the general community (charitable, educational, or religious in nature) and qualify for recognition by the federal government as a nonprofit organization as long as these goods and services are not provided in a for-profit structure (Hall, 2005). Nonprofit organizations face new challenges from governmental and private for-profit entities for funding, including legislative attempts to provide tax-generated funding priority status to governments or to for-profit competitors (Boyd, 2011).

The research indicates stakeholders entrust the board of directors to guide the organization in the community’s stead and is held to a higher standard by stakeholders than are for-profit companies (Bottiglieri, Kroleski, & Conway, 2011; Holland & Jackson, 1998). The role of the board of directors, as identified by Cornforth (2001), is: strategic direction and policy making; external accountability and stakeholder relations; supervising and supporting management; the stewardship of organizational resources; and maintenance of the board itself. Nonprofits are under increasing pressure to be more accountable and transparent because of the
sector’s increasing significance and reliance on public funding, along with the ever-present drive to be effective in organizational leadership (Cornforth, 2011; Ostrower, 2007).

A nonprofit corporation cannot distribute its earnings to private owners, members, directors, officers or shareholders who benefit personally from the activities of the organization (Barnes, n.d.; Cornell University School of Law, 2011). Nonprofit status is conferred by the state where it is physically formed and located; however, tax-exempt status may only be granted by the Internal Revenue Service [IRS] of the United States. According to the IRS (2010a) an organization “may qualify for exemption from federal income tax if it is organized and operated exclusively for one or more of the following purposes” (p. 20), including religious, charitable, scientific, testing for public safety, literary, educational, fostering national or international amateur sports, or the prevention of cruelty to children or animals. The organization must be a corporation, community chest, fund, or foundation to qualify for this exemption.

As defined by Wolf (1999), nonprofit organizations in the United States are “legally constituted, nongovernmental agencies incorporated under state law as charitable or not-for-profit corporations that have been set up to serve some public purpose and are tax-exempt according to the IRS” (p. 20). No legal prohibition prevents a nonprofit corporation from having revenues that exceed expenses at the end of a fiscal year. The restriction is that excess revenues may not be distributed as profits; excess revenue must be reinvested in the nonprofit in some form or fashion (Bottiglieri et al., 2011; IRS, 2010b). It is prudent business for nonprofit organizations to project a budget excess each year as this is the only mechanism, outside of additional fundraising efforts, to raise funds for capital improvements, increased expenses, expansion, increases in employee wages, and so on.
This study is restricted to the examination of a single 501(c)(3) organization. The National Taxonomy of Exempt Entities (NTEE) is managed by the National Center for Charitable Statistics (NCSS) and identifies nonprofits in one of 26 major types of organizations and 10 broad categories including education, human services, the arts, humanities, foreign affairs, and so on (Center on Nonprofits and Philanthropy, 2009). The relationships between the major categories of nonprofit organizations have little in common, other than being mission-driven and not-for-profit (Kahnweiler, 2011).

Individuals who are members of a nonprofit board of directors are the organization’s ambassadors, advocates, and community representatives who serve as stewards of the public trust by exercising a legal and fiduciary responsibility, and by ensuring that governance functions are carried out (Cornforth, 2011; Kendall, 2009; Wolf, 1999). Nonprofit directors in the United States are, with few exceptions, unpaid volunteers with a commitment to the organization’s mission. Board member participation is often based upon an emotional connection to the organization’s mission (McCambridge, 2004).

Nonprofit organizations have grown in size and complexity in the United States since the 1960s and represent at least 9% of gross domestic product (Salamon, 2002). In the wake of mismanagement of nonprofit assets and resources, nonprofit boards of directors have reassessed their role and the stewardship with which they are entrusted (Connelly, 2004). Green and Griesinger (1996) found most nonprofit organizations lack a commitment to board member training and development. However, as the vast majority of non-profit organizations in the United States are governed by a volunteer board of directors, lack of time available for volunteers, combined with little or no emphasis on board member development, has contributed to a sector administered by individuals with little knowledge regarding nonprofit governance.
The results of the Urban Institute’s *National Survey of Nonprofit Governance* in 2005, which included responses from 5,115 nonprofits in the United States, indicated that an unexpectedly high percentage of boards are not fulfilling basic stewardship responsibilities (Ostrower, 2005). The tendency of authors of nonprofit literature, specifically the normative works, has been to be prescriptive in the offering of advice and guidance to the executive, board members and officers of the board (Balduck, Van Rossem, & Buelens, 2009). Hall (2003), in an examination of the history of nonprofit organizations in the United States, describes the evolving role of the board of directors and how responsibilities are influenced by changing circumstances. Academic literature published during the 1990s inferred board members did not meet their roles and responsibilities as identified in the prescriptive literature (Iecovich, 2004); more recent research indicates that a board that shapes the mission, vision and strategy of the organization is well-positioned to effectively guide the organization (Jansen, Kilpatrick, & Cysa, 2006). The field may benefit from further research which respects the historical perspective and provides less prescriptive guidance for nonprofit stakeholders insomuch as no one solution is a best fit for all organizations.

The research on nonprofit governance is complex, due in part to the broad spectrum of size and scope of nonprofit organizations (Ostrower & Stone, 2009). A recent review of nonprofit research by Chris Cornforth (2011) indicated the research of the sector’s governance is too narrowly focused on an organization’s primary board of directors and its behavior. Cornforth offers three distinct recommendations to address the current limitations:

- Nonprofit research must acknowledge that governance includes a broader oversight than that of the board of directors, to include regulators, auditors and key stakeholders;
- many nonprofits of substantial size have multilevel governance structures; and
- the existing research has focused on a narrow range of organizations, which has limited results.

Future research must include longitudinal and comparative research to examine changes in governance over time, with consideration given to external and internal influences. Nonprofit governance remains difficult to define as existing governance theories are either too general to apply across the sector or are incapable of providing meaningful explanations of board behavior (Ostrower & Stone, 2009).

**Board Recruitment, Selection, and Behavior**

The lifeblood of any effective nonprofit community organization is its governing body in the form of the board of directors. As defined by the *Legal Guide for Arkansas Nonprofits and Volunteer Organizations* (Johnson, n.d.), the role of the nonprofit board of directors “is to safeguard the public trust by providing effective governance for the organization” (p. 25). The board of directors must provide effective governance through an understanding of the body’s legal responsibility for those who carry out the delivery of the nonprofit’s mission as well as accept fiduciary accountability (Brown, 1997; Inglis et al., 1999; Alexander, & Weaver, 1999). Common roles of nonprofit board members include advancing the organization’s mission, resource development and conservation, leadership selection and supervision, organizational assessment and stakeholder relationships, and so on (Axelrod, 2005). Executive directors have identified the following as critical to board member effectiveness: fund development, financial oversight, public relations, commitment and engagement, policy development, and monitoring the performance of the executive director (Brown & Guo, 2010). Inglis et al. (1999) argued that boards not only have a legal responsibility but also a moral responsibility. O’Regan and Oster (2005) articulate the moral responsibility of the board of directors by identifying the board of director’s necessity to defend the mission of the nonprofit and the constituencies it serves, while
Jansen et al. (2006) identify the responsibility of the board to provide professional expertise and access community and/or legislative leaders. Thompson (2006) described the role of the nonprofit board member as a combination of a Duty of Care and a Duty of Loyalty. Duty of Care, according to Thompson, requires a director to remain informed, to participate in oversight and decision-making, and, possibly most importantly, to act in good faith. Duty of Loyalty requires a director to make all decisions with the best interest of the organization in mind, while ensuring confidentiality and avoiding conflicts of interest. Ostrower and Stone (2005) included the Duty of Obedience as the third of the required duties of nonprofit board members. Duty of Obedience is the loyalty of the individual board member to the purpose of the organization and this purpose must restrict board member behavior. The duties of obedience and loyalty are the common governance standards delineated by nonprofit legal scholars and a number of practitioners (Stone & Ostrower, 2007). Board members bring private sector knowledge to the nonprofit third sector by providing guidance and advice the organization may find cost prohibitive on the open market, including legal, financial, human resource management, investment guidance, and so on (Reiss, 1990). Herman and Renz (2000) identified the board of directors’ responsibility to conduct the nonprofit as a public steward; ensuring it serves the interests of the community is a moral assumption. Nonprofit governance experience through participation as a board member may have a broader impact on community leadership and active participation in democracy outside of the governance of any single entity (McCambridge, 2004).

High-performing boards, concluded Jansen and Kilpatrick (2004), shape an organization by driving mission, strategy and policy development, by ensuring the management team, leadership and resources are appropriate to accomplish the organization’s vision and by monitoring performance across the organization’s spectrum. While boards are in need of
members with experience, knowledge, and an interest in the nonprofit domain, board member participation in their own personal development exhibits not only leadership but also a commitment to workforce development (Kelderman, 2008; Carver, 2006). The increase in the number of nonprofits nationally enhances the difficulty of recruiting board members to an organization. According to Ostrower (2007), ninety percent of nonprofits are having difficulty recruiting board members to their organization, which is negatively related to board engagement in every major board practice. High-performing nonprofit boards have self-identified their responsibility to strategic planning but also to processing and creating mechanisms to address issues arising outside of the formal strategic planning process (Jansen et al., 2006).

**Board roles and responsibilities**

For a board of directors to reach its maximum effectiveness, expectations and responsibilities must be clearly defined by the organization; however, the literature often reduces governance to basic legal and stewardship functions, monitoring of the chief executive officer or executive director, and alignment of services with the organizational mission (Brown, 1997; Green & Griesinger, 1996; Ostrower & Stone, 2009). Expectations must be defined more clearly than what O’Regan and Oster (2005) described as the three W’s of nonprofit board members: “wealth (donations and fundraising), wisdom (monitoring and oversight), and work (operational duties)” (p. 207). In a discussion of nonprofit board member roles and responsibilities, Iecovich (2004) defined the critical aspects of governance as fiscal matters and fundraising. The expectations identified by Iecovich (2004) include the board’s responsibility to review and approve the corporation’s annual budget, audits, fiscal oversight, fundraising, and investments. Despite its seemingly critical nature, limited research exists on the key roles expected of nonprofit board members, and those findings suggest a wide scope of roles and responsibilities.
among board members and the organization’s management (Stone & Ostrower, 2007; Liu, 2011). A board member’s perception of his or her effectiveness is related to role ambiguity, which is measured by how well a board member understands what he or she is supposed to do and the relationship of these actions to organizational goals (Doherty & Hoye, 2011). Further, it is not unusual for board members to experience role ambiguity within the same organization (Liu, 2010). Ruth McCambridge (2004), in examining the broader potential power of nonprofit governance experience, indicated the governance of nonprofit boards assists in the development of an active and inclusive democracy through the promotion of civic learning.

Two different themes were identified by Beck, C. Lengnick-Hall, and M. Lengnick-Hall (2008) in the nonprofit literature regarding the adoption of for-profit business techniques by nonprofits. First, nonprofit organizations would benefit from implementing private sector business tools and management solutions. However, Beck et al. noted a paradox in the second dominant theme: the uniqueness of nonprofit organizations often prohibits or inhibits implementing for-profit strategies due to organizational constraints, such as resources and training. Nonprofit board members, as a governing body, have a significant challenge in maintaining the balance between overwhelming needs and organizational constraints (Brown, 2002). According to Frumkin and Andre-Clark (2000), it is the commitment to social ends and values that differentiates nonprofit organizations, what the authors refer to as the “expressive character of nonprofit activity” (p. 142). As noted by Enolras (2009), the main economic theory explaining why nonprofit organizations provide the majority of certain goods and services is based on the fact that they cannot earn a profit; this condition is known as the nondistribution constraint. Frumkin and Andre-Clark (2000) argued that nonprofits are not readily in the position to adopt for-profit governance and operational efficiencies for three primary reasons: 1)
the social mission does not allow for a complete focus on profitability; 2) the rapid growth of professionalism in the nonprofit field has led to an increased attention to performance; and 3) increased rigor in funding opportunities by institutional donors has increased the need to identify specified outcomes in grant proposals.

Organizational culture

The concept of organizational culture has been questioned in both the non-profit and for-profit literature (Beck et al., 2008). Good-governance advocates, both corporate and non-profit, generally support the inclusion of structural remedies to enhance governance: regular meeting attendance, board member skills, board member age, past CEO presence on the board, board size, committee structure, and so on, are representative examples. However, as Sonnenfeld (2002) noted, those traditional examples are present in failed as well as successful organizations. Sonnenfeld proposed five areas critical to building a better board in participation and practice: 1) create a climate of trust and candor; 2) foster open dissent; 3) use a fluid portfolio of roles (do not allow director typecasting); 4) ensure individual accountability; and 5) evaluate board performance. He argued that boards are not just governing bodies but are also robust social systems.

The executive director / board relationship

Executive directors of nonprofit organizations value autonomy as chief executives of an organization and prefer a board that is not overly concerned with control or independence (O’Regan & Oster, 2005). Nonprofit executive leadership is of concern as a leadership deficit was felt in recent years due to a number of demographic factors. That concern may be mitigated, in part, by factors such as increased participation in the labor force by older workers, younger
workers with accelerated skillsets, and the increasing attractiveness of the nonprofit sector (Johnson, 2009).

The Sarbanes-Oxley Act

The Sarbanes-Oxley Act was passed in 2002 to increase corporate governance oversight following a series of high-profile corporate failures, including Enron and WorldCom, and the prevalence of fraud in corporate America. The Sarbanes-Oxley Act enhanced the accountability standards for corporate boards, accounting firms and management firms, and requires individual board members to certify the financial results of a corporation to increase overall accountability. The Urban Institute’s *National Survey of Nonprofit Governance* in 2005 examined six practices related to Sarbanes-Oxley and nonprofit governance: 1) external audits; 2) independent audit committee; 3) rotating auditing firms and/or lead partners every five years; 4) written conflict of interest policy; 5) formal whistleblower policy; and 6) a document destruction and retention policy (Ostrower, 2007). The study’s results indicated board attributes (when accounting for organizational size) and the organization’s environment were associated with the implementation of these six practices (Ostrower, 2007). Organization size is the single largest determinant of board engagement in relationship to internal and external influences (Ostrower & Stone, 2009). Organization size, as defined by revenue, was influential and related positively to the adoption of all six practices in nonprofit organizations.

The legal community is not in complete agreement with the imposition of for-profit corporate standards on the nonprofit community. In reviewing the proceedings of the Panel on the Nonprofit Sector and the American Law Institute, Linda Sugin (2007) was concerned that the continued imposition of corporatizing nonprofit requirements might undermine the very reason nonprofits exist: charitable goals. Sugin concluded that the nonprofit sector must be vigorously
regulated while allowing nonprofit directors the flexibility and discretion to meet the charitable mission over all other business goals. Bottiglieri et al. (2011) noted the need for the Financial Accounting Standards Board [FASB] to impose increased regulatory oversight over the third sector since “most NPO’s fail to efficiently regulate themselves,” although little evidence is provided to support this broad overstatement (p. 59). The adoption of Sarbanes-Oxley, combined with a series of national nonprofit mismanagement examples, has led to an increased interest in accountability in governance (Morrison & Salipante, 2007).

**Search and replacement**

Members leave the board of an organization for a variety of reasons, such as retirement, other voluntary or involuntary exit, board expansion, etc., and they must be replaced; however, the replacement search is not always well-executed (Daily & Dalton, 2004). Brown (2007) delineated three clear steps to seeking new directors for an organization:

- the skills and competencies the board needs must be determined;
- the board recruits and attracts a pool of potential candidates, and;
- the board conducts the selection process.

Green and Griesinger (1996) suggested nonprofit organizations must clearly develop, define and convey expectations of new board members among the executive director, existing board members and the prospective board member. Nonprofit organizations must evaluate for the competencies desired by the board of directors and identify gaps in the board competency matrix when seeking new members to join the governing body (Balduck et al., 2009; Daily, 2004). Daily noted that nonprofit organizations would benefit from conducting a broad search for members inasmuch as many organizations either consider too few or only a single candidate for
an available position on the governing board. Chait, Holland, and Taylor (1993) identified six competencies of nonprofit board members critical to board performance (see Figure 1).

<table>
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<tr>
<th>Contextual Dimension</th>
<th>The board understands and takes into account the culture and the norms of the organization for which it is responsible.</th>
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<td>- The board adapts to the culture and characteristics of the organization’s environment.</td>
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<td>- The board’s decisions are guided by the organization's mission, values, and tradition and reinforce the organization’s core values.</td>
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<tr>
<th>Educational Dimension</th>
<th>The board takes the steps necessary to ensure that members are well informed about the organization, the sector in which the organization operates, and board members’ roles, responsibilities and performance.</th>
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<td>- The board facilitates opportunities for members’ ongoing training and development.</td>
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<td>- The board engages in ongoing self-reflection and assessment.</td>
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<th>Interpersonal Dimension</th>
<th>The board nurtures group development, attends to the board’s collective welfare, and fosters a sense of group cohesiveness.</th>
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<td>- The board develops group goals and recognizes group achievements.</td>
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<td>- The board identifies and develops leadership within the board.</td>
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<th>Analytical Dimension</th>
<th>The board recognizes the complexities of the issues in which it is involved and relies on multiple perspectives to analyze problems and synthesize responses.</th>
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<td>- The board strives to obtain information and feedback from various categories of stakeholders.</td>
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<td>- The board tolerates ambiguity.</td>
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<th>Political Dimension</th>
<th>The board develops and maintains healthy relationships with stakeholders.</th>
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<td>- The board respects the integrity of the governance process and the roles and responsibilities of other stakeholders.</td>
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<td>- The board attempts to minimize conflict and win/lose situations.</td>
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<th>Strategic Dimension</th>
<th>The board envisions, shapes, and ensures, the organization’s future.</th>
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<td>- The board establishes and follows processes that develop institutional priorities and that focus on issues of strategic or symbolic importance.</td>
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<td></td>
<td>- The board takes a proactive rather than reactive stance to change.</td>
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**Figure 1: Board Competencies**  
(Chait, Holland, & Taylor, 1993)

The composition of the board of directors as the governing representative of the organization establishes the legitimacy of the nonprofit corporation, as identified in neo-institutional theory, according to Abzug and Galasckiewicz (2001). They further argued that the pressures for legitimacy external to the organization would demand the recruitment of potential board members with significant educational, professional, and managerial credentials. One
weakness in the neo-institutional approach identified by Abzug and Galasckiewicz is its failure to recognize the need of community-based organizations to gain legitimacy through local support that includes service recipients as well as other stakeholders. An effective process for board member selection would include both the managerial leadership as well as the board of directors, with management nominating candidates and the board conducting the vetting process and final selection (Daily, 2004). Board recruitment and development, combined with a basic knowledge of board leadership responsibilities, are critical to the composition of an effective board (Axelrod, 2005). Boards must not overlook the crucial aspect of membership diversity when recruiting and selecting prospective new members. Systematic recruitment strategies may be effective in identifying potential minority members or members who reflect the demographics of the stakeholder community (Brown, 2002). The ethnic and racial diversity of board membership is positively associated with enhanced compliance in the board’s stewardship role (Ostrower, 2007). Ostrower found gender diversity in nonprofit board composition was positively associated with fundraising, planning, community relations and public education regarding the organization.

**Board composition**

The composition of the board of directors and how it is structured should be the result of a joint effort of the executive director and the board of directors (O’Regan & Oster, 2005). The majority of the research regarding board composition centers on larger organizations (to the detriment of the information available on mid-size to small nonprofits) and few of these studies examined how the composition of the board membership may or may not affect organizational performance (Stone & Ostrower, 2007). An organization’s reputation may be significantly improved through board selection and composition, as well as the willingness of the membership
to advocate for the organization (Jansen & Kilpatrick, 2004); however, if the board does not adequately assess its need with regard to composition, then a critical opportunity has been missed (Daily & Dalton, 2004). The Urban Institute’s 2005 *National Survey of Nonprofit Governance* (Ostrower, 2007) identified the following statistics about nonprofit board composition:

- 86 percent of board members are white, non-Hispanic.
- 7 percent are African-American.
- 51 percent of nonprofit boards are composed of *only* white, non-Hispanic members.
- 25 percent indicated ethnic or racial diversity as somewhat important.
- 10 percent indicated ethnic or racial diversity as a very important recruitment criterion.
- 46 percent of boards are composed of women members.

The advantages associated with a diverse board of directors are documented in the literature. As identified by Fredette et al. (2006), the advantages of diverse composition in board membership are an enhanced community responsiveness, an increased ability to facilitate prospective donors, and a more creative decision-making entity. Brown (2002) identified the key traits of a diverse, or inclusive, board as seeking information from multiple sources, demonstrating community awareness and supporting policies to increase stakeholder contributions. Brown also found that nonprofit boards having a task force or committee on diversity had a more inclusive board than nonprofits without such a committee. Board diversity may also enhance both expertise among the membership and the reputation of the nonprofit within the community (Daley, 2002).
**Board Performance and Organizational Effectiveness**

Organizational effectiveness is a term that meets no single definition or scenario in the nonprofit community. The term is difficult to define due to disparities among nonprofit organizations in the United States, including different types of nonprofit organizations and a wide range of financial capabilities, resources, and missions. Such disparity leads to a broad range of hypotheses in the literature about measuring nonprofit effectiveness as well as board performance, and, according to Brown (2005), such a challenge to determining effectiveness cannot be minimized. Historically, assessing board of director performance against organizational effectiveness has been measured by proxy, usually including the reputation of the organization and the board, the ability to develop and sustain fundraising efforts and maintaining financial health (Gill, Flynn, & Reissing, 2005).

Callen, Klein, and Tinkelman (2003) argued that no single criterion of organizational effectiveness is available that is viewed equally among the nonprofit community. A clear causal mechanism behind a well-performing board and an effective organization does not exist (Mwenja & Lewis, 2009). Mwenja and Lewis maintained that organizational performance is ultimately a social construct that, when combined with poorly articulated goals, makes the development of a single model of measurement of nonprofit effectiveness impossible.

Nonprofit organizational effectiveness, as posited Herman and Renz (2008), is always multidimensional and a matter of comparison. Herman and Renz offered nine key traits to determine nonprofit organizational effectiveness, comparing:

- Multidimensionality,
- Relating to board effectiveness (but with a lack of clarity),
- Relating to the use of accepted management practices,
As a social construction,

Universal “best practices” (that are unlikely to exist),

Organizational responsiveness as an effective organizational-level measure,

Distinctions among nonprofits that must be made, and

The depth and breadth of the analysis that must be considered.

Herman and Renz (2000) hypothesized that nonprofit organizational effectiveness is directly related to the effectiveness of the board of directors. However, as was argued by O’Regan and Oster (2005), it is very difficult to empirically measure the relationship between organizational success and the effectiveness of the board of directors, although one study did indicate a positive relationship between the executive director’s perception of board effectiveness and board member commitment (Preston & Brown, 2004).

One hypothesis measured nonprofit efficiency related to the composition of the board of directors and the ability of the governing body to manage three metrics: the ratio of administrative expenses to total expenses, the ratio of fundraising expenses to total expenses, and the ratio of program expenses to total expenses (Callen et al., 2003). Callen et al. determined a statistical association between organizational effectiveness and the presence of individuals considered to be major donors on the board of directors. That study was limited by its focus on revenue, expenses, and the source of funds. Brown (2005) noted the difficulty of relying on financial performance indicators as a measure of organizational effectiveness because the nature of nonprofits does not allow for a standardized method to relatively measure that performance. In fact, Brown maintained that budget size or the amount of revenue generated by a nonprofit does not necessarily indicate that the organization effectively delivers according to its stated mission. Stone and Ostrower (2007) maintained that the research remains inconclusive
regarding how a board makes a difference to the organization it governs. Ostrower and Stone (2009) later indicated the necessity for a framework to understand board governance due to the broad diversity of the sector and noted governance research lacks a large empirical data study from which to make broad generalizations regarding nonprofit governance.

**Theoretical Models**

There is not a single theory or hypothesis capable of addressing the challenges of nonprofit governance. Each nonprofit must evaluate the available options and select a path based upon its own collection of personalities, culture and external pressures (Brudney & Murray, 1998; Ostrower & Stone, 2009). Regardless of the theory, model or framework of governance, the organization must identify governance challenges requiring the interaction of the board of directors and the chief executive officer (Kreutzer, 2009).

**Agency theory**

Brown (2005) argued that agency theory is the most significant explanation of how a board of directors improves organizational effectiveness. Agency theory describes a state of conflict between the governing board of directors and the executive or executive team, who manage the nonprofit organization. If agent/executive director/behavior is not controlled, the principal’s goals – the nonprofit mission – may not be achieved (Caers et al., 2006). In the for-profit corporate environment, agency theory protects stockholder interests from potentially self-interested actions among the corporate management team. As identified by Brown, the board in the nonprofit sector protects the organization’s mission by connecting the management team’s decision-making process to that mission and the values and purpose of the organization. The critical component of agency theory related to nonprofit governance is the board’s delegation to the executive director the responsibility for day-to-day operations with the expectation to manage
in the board’s best interest; at the same time, the board is responsible for managerial compliance (Miller-Milleson, 2003; Kreutzer, 2009).

**Resource dependency theory**

A second major theory of organizational management is resource dependency, wherein the board of directors’ primary function is to connect the organization to the resources essential to its survival and its success by providing board capital, such as financial resources, potential benefactors, advice, and so on (Brown, 2005). The board’s ability to deliver capital that will develop and solidify organizational effectiveness is critical to reduce environmental uncertainty and provide access to resources. Resource dependency acknowledges the board of directors’ ability to maximize external connections through the leveraging of personal and professional relationships that enhance the organization’s reputation as well as expand the donor base (Miller-Millesen, 2003; Kreutzer, 2009; Mwenja & Lewis, 2009). Resource-constrained nonprofits are likely to emphasize the role of the board in resource development and acquisition (Brown & Guo, 2010).

**Group/decision process theory**

Group/decision process theory argues that the most effective governing boards are self-developing, with an emphasis on training and defined membership roles. That development process affects how information is managed, how decisions are made, and how the management team and board of directors interact with one another for the benefit of the organization (Brown, 2005). Critical components of group decision-making process theory include diversity, board membership, board development through training and the interpersonal relations of those involved (Brown, 2005; Mwenja & Lewis, 2009). Group/decision process theory states that for the organization to function effectively, the board of directors, in relation to the management
team, must function effectively. The varied experiences and backgrounds of the members of the board of directors, combined with the establishment of processes and procedures by the board, may allow the organization to perform in a much more effective manner than it would otherwise (Mwenja & Lewis, 2009).

**Stakeholder theory**

Stakeholder theory requires systematic attention to stakeholder interests; as part of the individual board member’s responsibility, the board must be aware of the community and of the constituencies served (Brown, 2002). The board of directors must not only be cognizant of external stakeholders but it must also be willing to resolve the conflicting interests of those stakeholders (Cornforth, 2003; Kreutzer, 2009).

**Institutional theory**

The theory which suggests an organization’s behavior is determined, in part, by the environment in which it operates is known as institutional theory, which may include environmental norms, laws and regulations, community norms, and governmental contracts (Miller-Millesen, 2003).

**Policy governance model**

From a more practical and less theoretical perspective, Carver’s (1997) policy governance model identifies the responsibilities of the board of directors. If a board understands what it must do to avoid “unacceptable” actions, a more effective and visionary board of directors will result. The discipline of this model requires the board to develop policy whenever needed, and to direct management in its execution (Carver, 2002). The policy governance model requires that the board of directors must apply policy in a disciplined manner to every issue it considers it (Carver, 2006).
Contingency theory

Contingency theory rejects the normative, or “one best way,” approach to nonprofit management, including a prescriptive list of best practices for success. Instead of a perfunctory adoption of prescriptive norms, an organization capable of adapting governance and management to changing circumstances is most likely to align the two and be successful (Bradshaw, 2009). Bradshaw noted that boards are responsible for self-examination by which to adapt governance after assessing values, missions and contingencies; he cautioned that, in responsible governance, such an approach should not convey the message that “anything goes.” Ostrower and Stone (2009) developed a contingency-based framework to evaluate nonprofit governance since the internal and external factors determine governance, in part by the board’s own circumstances as well as by the circumstances of the organization itself. Ostrower and Stone made it clear, however, that they were not proposing a theory of nonprofit governance, but rather a framework by which to examine board governance practices within their own contextual paradigm (2009).

Leader-member exchange theory

As expressed by Russell Hoye (2006) in his study of Australian voluntary sport organization boards, Leader-Member Exchange theory [LMX] “means that leaders and followers develop exclusive exchange relationships (dyads), some of which are high quality (with presence of mutual trust, respect, and obligation) and others of low quality (with low trust, respect, and obligation)” (p. 299). Hoye’s study, which focused on the quality of relationships between boards and paid staff and their impact on board performance, indicated that the quality of the leader-member exchanges directly influences board performance. In contrast, the absence of strong leadership by the chair of the board of directors increases board reliance upon the paid
leadership team. A low LMX may create an environment of less commitment among individual board members.

**The Balanced Scorecard**

In a study conducted by the Social Enterprise program at the Harvard School of Business, nonprofit executives and board members rated measurement of performance as one of three key organizational concerns (Kaplan, 2001). While the academic literature does not identify a dominant methodology for organizational effectiveness and governance, the Balanced Scorecard, developed by Robert Kaplan and David Norton in 1990 as a performance improvement process to be deployed in for-profit corporations, may provide a viable option to measure the effectiveness of nonprofit organizations (Kaplan, 2001; Niven, 2005; Zimmerman, 2004). The Balanced Scorecard posits that financial measures remain critical as a metric in corporations, for-profit or otherwise, but financial measures alone will not effectively project corporate success. Financial metrics remain critical to shareholders in the for-profit domain, but in the non-profit community, the predominant focus is not on profit, but rather on serving the organization’s customers and its ability to meet its mission (Kaplan, 2001; Niven, 2010; Marin, 2012). The intent of the Balanced Scorecard approach to organizational strategic planning is to translate the vision and strategy of the organization into performance measures (Niven, 2005). Frumkin and Andre-Clark (2000) noted three key elements to success for nonprofit organizations facing increasing competition for mission and services from the for-profit sector: 1) to develop a clear strategy on the values provided by donors, volunteers, and staff; 2) to increase efficiency that enhances mission fulfillment; and 3) to measure the full range of outcomes provided by the mission to document outcomes desired by organizational stakeholders, whether public or private.
Effective strategic planning is not a simple process and it may be cost prohibitive based on the resources of the organization. Kaplan (2001) argued that nonprofit organizational success should be measured by the organization’s ability to meet the needs of its customers in an effective and efficient manner. Kaplan further stated that finances remain critical, either as an enabler or as a constraint to an organization, but financial consideration will rarely be the primary factor in strategic planning for a nonprofit corporation. Financial measures may provide an excellent backwards-looking perspective on how an organization has performed financially in the past but provide little information to suggest future performance (Niven, 2005).

Kaplan (2001) suggested nonprofit organizations redefine the Balanced Scorecard by placing the customer domain at the top of the scorecard’s visual structure instead of the financial domain, as it is the dominant domain in for-profit corporations. By placing the customer and the mission at the top of the Balanced Scorecard, Kaplan continued, the organization is identifying accountability between it and society. Profitability (or, in the case of a nonprofit organization, financial stability) alone does not sustain an entity’s overall health, especially when it is achieved at the expense of other organizational components (Pandey, 2005).

According to Kaplan (2001), “[t]he Balanced Scorecard was developed for the private sector to overcome deficiencies in the financial accounting model, which fails to signal changes in the company’s economic value as an organization makes substantial investments in intangible assets” (p. 357). Such intangible assets may include skills, motivation, employee capabilities, customer acquisition, customer retention, and information technology. Constituent satisfaction, state-of-the-art technologies, a learning environment and cost containment outcomes, rather than strict financial success, are the critical components to the nonprofit community (Pandey 2005; Ronchetti, 2006; Sharma, 2008). Mission focus and strategic alignment are difficult to achieve
in nonprofit corporation strategic planning because the employee commitment to the mission has
preconceived outcomes and, for this reason, it is critical that strategic planning efforts be
presented with clarity and cascaded to the lowest levels of the organization (Kaplan; Marin,
2012; Niven, 2005).

Strategic themes in the Balanced Scorecard must be derived from the organization’s
vision and mission and then developed through the four domains: financial, internal processes,
customer, and learning and growth (Ronchetti, 2006). The financial domain defines desired
financial performance measures for the organization based on vision and mission, but finances
are often viewed as a constraint of scope and strategy in the nonprofit community (Kaplan, 2001;
Ronchetti; Sharma, 2008; Zimmerman, 2004). Entities may use lagging financial indicators as a
component of a strategic process, but the process only becomes whole when it also includes
current and leading indicators (Pandey, 2005). The second domain, internal processes, identifies
the internal business processes that must operate with acknowledged excellence to satisfy
stakeholders’ expectations and deliver the desired value to all stakeholders in the organization,
not financial performance (Niven, 2005; Ronchetti (2006)). The internal processes domain also
includes innovations to deliver new products and services (Kaplan, 2001). The customer domain
is critical to nonprofit organizational viability and establishing the value proposition, or how the
organization creates value that is considered crucial by stakeholders and constituents, and its
ability to deliver its stated mission (Ronchetti, 2006; Sharma, 2008).

The learning and growth domain of the Balanced Scorecard assists the organization in
identifying and prioritizing the skills, knowledge and needs of the first three domains to achieve
the mission and maintain customer satisfaction as the overall priority, rather than the financial
perspective in the nonprofit organization (Ronchetti, 2006). Kaplan (2001) identified the needs
in this domain as employee motivation, retention, capabilities, and mission alignment. Continuous learning, combined with a focus on the knowledge-worker, is critical to establishing an essential foundation in the learning and growth domain, create value and effectively use intangible assets (Kaplan & Norton, 2001; Sharma, 2008).

The Balanced Scorecard has proven successful as a strategic planning methodology, in part due to its ability to align intangible assets to strategy while not improving one domain at the expense of another (Kaplan & Norton, 2004b; Ronchetti, 2006). It may be effectively deployed by nonprofit organizations as a strategic planning mechanism with a focus on organizationally-defined outcomes and metrics to gauge organizational effectiveness. Metrics must be created to measure the outcomes the organization desires rather than using those that already exist (Zimmerman, 2004). Ronchetti identified five key points critical to a successful nonprofit deployment of the Balanced Scorecard: select a leader with knowledge of the business and measurement outcomes; conduct a kickoff event to define and clarify Balanced Scorecard terminology; define metrics for the intangibles in the growth and learning domain; be prepared to address change during the process; and cascade objectives down to the operational level.

Successful outcomes are unlikely if the Balanced Scorecard is implemented without the leadership’s understanding as to what it is supposed to accomplish, or if the complexity of the Balanced Scorecard is underestimated (Zimmerman, 2004). Potential restrictions to a nonprofit corporation’s implementation of the Balanced Scorecard as a strategic planning and effectiveness measurement source include: a multi-year commitment, inexperienced managers with measurement programs and metrics, and a lack of resource commitment (Ronchetti, 2006; Zimmerman, 2004). Managers rarely think about the long-term when considering organizational improvement; however, a three-to-five year improvement window is not an unusual vision for an
entity without a Balanced Scorecard champion or consultant (Marin, 2012; Ronchetti, Saraiva, 2011). The process is subtle and complex and should not be underestimated (Sharma, 2008).

Whether it is the Balanced Scorecard or another methodology, a performance improvement process is only a part of strategic planning (Pandey, 2005). Research indicates if the Balanced Scorecard process is cascaded down through the organization and effectively communicated to the upper, middle and lower echelons, all levels are positively affected by aligned and integrated strategies (Marin, 2012; Shutibhinyo, 2012). Conversely, lack of acceptance of a Balanced Scorecard process is correlated with inadequate communications by an organization’s leadership (Chen & Jones, 2009). Next, a nonprofit entity must identify the outcomes desired and develop the necessary metrics – it cannot rely solely upon available measures for effective performance measurement (Zimmerman, 2004). Finally, the Balanced Scorecard is only a part of a comprehensive strategic planning process and may serve as a link between strategy and action (Pandey, 2005; Sharma, 2009). After vision and mission, most nonprofits’ strategic planning efforts are not outcome-based but, rather, focused on lists of current programs and desired initiatives (Kaplan, 2001). A contributor to the popularity of the Balanced Scorecard is its ability to capture the essence of an organization with a single page encapsulation of the four primary domains: financial, internal processes, customer, and learning and growth, to create opportunities to meet the needs of its various stakeholders (Pandey, 2005; Saraiva, 2011).

**Board Development and Interventions**

Board development “entails the range of activities related to building and maintaining a strong board of directors (Brown, 2007, p. 303). Regarding the responsibility of development, Carver (2006) identified that the responsibility for board development rests with the board of
directors itself; other responsibilities noted by Carver included job design, discipline and performance evaluation. Although board of director development and training is common in the nonprofit community, little evidence exists to support any empirical impact on board performance (Holland & Jackson, 1998). It is rare that a board of directors sets clear expectations and standards for its membership and applies those expectations to its own dynamic (Holland, 2002). Most boards, according to Holland, are satisfied to neglect the same standards for themselves that they established for the executive or leadership team.

Historically, it has been the norm for board of director training and development to consist of a meeting with the executive director, a review of documents associated with mission and history (e.g., bylaws and minutes) and a tour of the physical plant (Green and Griesinger, 1996). And, as noted by Holland (1998), board development needs to be long-term and not simply a retreat or superficial development during board meetings. To be a high-performing board, argued Jansen and Kilpatrick (2006), the membership must be willing to examine its own performance on a regular, if not continual, basis, while identifying improvement opportunities and making the changes needed for organizational betterment. It is the responsibility of the board of directors itself to manage its own development, discipline and job performance and these goals should be formulated by individual diagnostic assessments and action plans (Holland & Jackson, 1998; Carver, 2006). Initial and recurring board training potentially enhances board performance and effectiveness (Abben, 2011; Brown, 2007; Green & Griesinger, 1997). In a study of nonprofit organizations with revenues in excess of $1 million, Brown, Hillman, and Okun (2011) found that continued board member training predicted board member participation in both resource development and organizational monitoring roles.
Obstacles to board performance

Obstacles to improving overall performance identified by Holland (1998) include a lack of clear expectations, failure to understand the need for change, previous change failures, and difficulty in putting aside past practices in favor of new initiatives. Organizations, as well as individual board member candidates, should examine potential motivation for service on a specific nonprofit governing board (Inglis & Cleave, 2006). Inglis and Cleave identified the following as key components to motivational frameworks to serve:

- Development of individual relationships;
- Enhancement of self-worth;
- Helping the community;
- Learning through the community;
- Self-healing practices; and
- Unique contributions of the board. (p. 83)

Evaluating board performance

Brown (2007) identified three primary components to board development: recruitment, orientation, and evaluation. In a survey issued to 1,600 credit unions in the United States, Brown found evaluation to be the least likely practice of the three components, and 35% of responding organizations did not use any evaluation process of the board. However, Brown’s study noted that board evaluation was not significantly related to board member competency. Existing prescriptions for enhanced board performance offered in the literature do not necessarily account for a number of factors that create a wide variety in nonprofit governing boards: strengths and weaknesses of the board and management; organizational mission, organizational age and resources and stability of funding (Axelrod, 2005). Carver (2006) identified four primary
limitations prevalent in nonprofit governing boards: 1) a focus on day-to-day management versus policy and long-term goals; 2) focusing on low-level decisions; 3) a short-term bias versus a long-term vision; and, 4) being reactive instead of being proactive and focusing on the path to the long-term success of the organization.
CHAPTER THREE

METHODOLOGY

Through a comprehensive examination of a single nonprofit organization located in west central Arkansas, this study examined the gap between the expectations of board performance of the nonprofit organization’s senior leadership and board members’ self-perception of their role in the governance of the organization, as well as any effect that gap may have on organizational effectiveness. I selected an organization for the case study located in west central Arkansas to maximize my opportunities to interview members of the board of directors and essential staff members; to attend multiple board and committee meetings; and to observe organizational events. Since I am a member of the Board of Directors of the local United Way, I chose to exclude member nonprofit agencies from consideration for this study.

Rationale for qualitative research design

Limitations exist in quantitative research methods, as experiments, surveys and statistical data do not explore the depth sometimes necessary in social science research. (Silverman, 2000). Observation of behavior in everyday situations provides a depth of knowledge not readily available in quantitative research, especially in social settings or activities viewed from the perspective of the participants (Silverman; Rossman & Rallis, 2003; Bloomberg & Volpe, 2008). While qualitative research has its roots, at least in part, in empiricism, qualitative researchers strive to give a voice to the subject (Rossman & Rallis, 2003). According to Maykut and Morehouse (1994), the qualitative researcher must engage in what they termed “indwelling,” which requires an empathetic relationship with study participants.

Silverman (2000) summarizes the preference of the qualitative researcher for naturally occurring data, meanings rather than behavior, the rejection of natural science as a model, and
for “inductive, hypothesis-generating research rather than hypothesis testing” (p. 8). As described by Creswell (2007), qualitative research will “let the voices of our participants speak and carry the story through dialogue” (p. 43). The voices of participants only speak clearly when examined through context. Reality is socially constructed; hence, individuals develop subjective meaning about their own personal experiences that may only be understood through immersion in the reality of the participants in the world where they live and work (Maxwell, 1998; Creswell; Bloomberg & Volpe, 2008). Further enhancing a socially-constructed perspective, Shank (2006) proposes what he termed “ingredient theory”: “a way to look at data not as components to systems, but as ingredients to holistic ‘recipes’ of complex phenomena” (p. 225).

The researcher is the primary instrument for inquiry and data collection (Bloomberg & Volpe, 2008). By using a broad range of questions, the researcher allows participants to construct their own meanings while recognizing that his or her own bias and background may influence interpretation (Creswell, 2007). In this research, a qualitative approach is necessary to facilitate discovery of the perceptions of nonprofit board members within the context of their own organizational governance paradigm.

**Rationale for the case study method**

Case study allows for the intense description and analysis of a phenomenon, social unit, or a system bounded by time or place, and involves a detailed description of a setting and its participants, accompanied by an analysis of the data for themes, patterns, and issues (Bloomberg & Volpe, 2008). As defined by Creswell (2007),

Case study research is a qualitative approach in which the investigator explores a bounded system (a *case*) or multiple bounded systems (*cases*) over time, through detailed, in-depth data collection involving multiple sources of information (e.g.,
observations, interviews, audiovisual material, and documents and reports), and reports a case description and case-based themes. (p. 73)

Case study may also utilize the four major methods of qualitative research: observation, analysis of texts and documents, interviews, and recording and transcribing (Silverman, 2001). I wanted to employ a research methodology that allows participants to tell their own stories without predefined terms or predetermined responses. To understand the perception of a board member’s role in governance, a single case in-depth study of a nonprofit organization offers an opportunity to hear the participant’s voice in social context.

**Literature Review**

The literature review for this research has been a continual process, starting with limited initial research conducted to develop and defend the research proposal, and ending with the most recent scholarly literature about nonprofit governance through the end of 2012. I began my literature review on the topic of nonprofit governance and, through this process, discovered the available literature is much richer than I anticipated. The second key component of the literature review centered on the Balanced Scorecard. As my research was refined, I needed my theoretical research framework to be vetted through the academic literature. The Balanced Scorecard is well-established in the normative and academic literature and has been effectively deployed in the nonprofit sector.

**IRB Approval**

Upon the acceptance of my dissertation proposal, I developed my research protocol for submission to the Institutional Review Board (IRB) at the University of Arkansas for approval prior to initiating my research efforts. My proposal included a brief description of the research intent and methodology, the interview protocol, and the process for gaining participants’
informed consent. The interview protocol consisted of initial questions to be offered to each participant in a semi-structured interview process, as well as observation protocol for activities and events relevant to the selected nonprofit organization.

**Ethical Considerations**

Other than the minimal risks participants may encounter in daily life, this study had no physical or psychological risks of which I am aware. The benefits of participation in this study include increasing my own understanding of how consultants and nonprofit practitioners may better support the educational and personal goals of nonprofit board members, and the expectation that participants will have contributed to improved governance of TSI and, potentially, additional nonprofits through the development of a process-consulting methodology available for additional individual organizations according to their own governance challenges.

The records of collected interviews will remain confidential; any notes or recordings I made will be destroyed when the dissertation process is complete. No information will be included that makes it possible to individually identify any respondent; only general demographic information about participants’ courses of study, age, gender, previous education, and other germane information will be included in any reported studies. An individual decision to participate in this study will not affect any person’s current or future relations with the University of Arkansas. Participants who chose to voluntarily participate remained free to withdraw at any time during the study without fear of negative consequences. Individuals may have chosen to withdraw completely from the study or from any particular segment of the study including, interviews, observations, colleague interviews or any other form of personal inquiry.

Participants agreed to sign an informed consent form for participation, which included the University of Arkansas Institutional Review Board approval of the study, the purpose of the
study, the procedures to be used, potential risks, confidentiality, as well as the option to withdraw from the study at any time.

**Selection of Subject**

According to Guidestar.org (www.guidestar.org), 246 nonprofit organizations are located in Pope County, Arkansas. This number may appear to be exceptionally large, but a survey of these organizations indicates that only a small percentage are operational, service-providing nonprofit organizations. Many social and fraternal organizations have a nonprofit status (e.g., the United Brotherhood of Carpenters & Joiners of America, and Free and Accepted Masons of Arkansas). Other nonprofit organizations include private foundations, such as Waterford Healthcare Foundation, Inc., or community-service organizations, such as the Russellville Chamber of Commerce.

Twenty-seven nonprofit organizations are members of the local United Way and include many of the most established and well-known nonprofit organizations in the area. The organizations are located in three counties in west central Arkansas. The member agencies of the local United Way were specifically excluded for consideration as the investigated organization due to my membership on the local United Way Board of Directors where that specific knowledge may provide a broader insight to the organization’s operations. Consideration for selection was based upon the organization’s mission, reputation in the nonprofit community, operational viability, and current board of directors’ membership.

TSI was selected due to its rapid growth and presence in the community, the investigator’s familiarity with disability services, and a current board of directors with whom I have no personal connections, business, or professional relationships. The initial request to TSI was made through personal contact and discussion with the Executive Director. A request was
made to present the research proposal to the full board of directors. After approval of the board of directors, a research consent form was provided to each member of the board, the executive director, and other individuals identified for participation in the research.

TSI is a 501(c)(3) nonprofit enterprise located in west central Arkansas. The organization serves children and adults with a wide range of physical, cognitive, mental and emotional disabilities through hippotherapy and therapeutic riding. Hippotherapy is a physical, occupational, and speech therapy treatment strategy that utilizes equine movement. Therapeutic riding is a term encompassing a variety of equine activities in which people with disabilities participate, with a focus on riding skills development (TSI, 2011). According to the organization’s website, TSI’s mission is to “enrich the lives of persons with special needs/disabilities and foster functional independence with increased self-confidence and improved skills of daily living through the use of safe and enjoyable therapeutic, equine-assisted activities” (www.equestrianzone.org). The organization’s annual budget is approximately $65,000. The current board of directors consists of 13 community volunteers. The professional staff is limited to the executive director and a therapeutic riding instructor.

Data Collection Procedures

Interviewing non-profit board members is one part of the qualitative data collection process. It was anticipated that direct observation of board meetings of the participating agency might yield a dynamic different from that observed in the interview or clarity as to the relationship between the board and the chief executive officer. Next, the chief executive of the organization was interviewed separately from the members of the board. To analyze the role of non-profit board members solely from the perspective of board members would present only a single side of the relationship. My goal was 100% participation by board members, and follow-
up requests were made of non-responders to schedule interviews. Not all board members participated in the interview process, but the majority participated in both initial and follow-up interviews.

Interviews were conducted at a location convenient for the participant and included private homes, places of business and neutral, public sites. Interviews began with the questions identified in the interview protocol and listed below, and other avenues were then explored if appropriate to the study. I recorded the interviews digitally for transcription and coding. As the researcher, I made a conscious effort to be aware of my own bias during the interview and data collection process, as I have significant experience in the nonprofit community and with disability services providers. Respondents were asked to engage in a member check during the interview process to gauge any perceived bias on my part and to increase the validity of the data collected.

The interview questions were designed to determine individual board member perceptions of the role of a nonprofit board of directors in the governance of a nonprofit organization, and its relationship with the chief executive. There is an extensive body of literature about the appropriate roles of both the board of directors and the chief executive in nonprofit organizations. The questions were designed for a standardized, open-ended interview. I expected participants be more receptive to a diagnostic interview process than a specific, question-by-question approach. Dick (2005) believes that a diagnostic interview is driven by a participant’s experiences and not necessarily by the interviewer’s questions. Inquiries included the following:

1. Describe your connection with this organization, either as a member of the board of directors or otherwise.
2. In your experience, has the board of TSI conducted a self-assessment?

3. Describe the orientation you received from TSI as a new member of the board of directors. Can you describe any follow-along or ongoing training you may have received as a board member?

4. Can you describe the board’s role in the overall strategic planning process?

5. How would you describe the distinction between the management role of the chief executive employee (“CEO”) and the board’s role of policy formulation, decision making and oversight?

6. Can you describe TSI’s strategy for financial growth and viability from your perspective as a board member?

7. What is TSI’s strategy for creating value for your stakeholders?

8. At what business processes must the organization excel to satisfy your stakeholders and customers?

9. To achieve the organization’s vision, how will TSI sustain its ability to change and improve?

Data collection was not limited to the interview protocol above. The data pool drew upon multiple resources, including observation of board meetings, review of organizational documents (by-laws, articles of incorporation, board meeting minutes, and Internal Revenue Service Form 990), web presence, and publicity publications. Triangulation of data from multiple sources was a component of the research strategy to confirm the validity of potential outcomes (Tellis, 1997).

Glaser and Straus (1967) used the term “slices of data” to identify the results of the use of multiple sources of data and the variety of data and views produced from varying vantage points. Informal conversations, exchanges or observations yielding relevant data were used as each opportunity presented itself during the data gathering process. Data were collected in the most appropriate and available method. Bernard (1988) acknowledged the following types of field
data for collection: field jottings, field notes, a field diary, and a field log. *Field jottings* are recorded on the spot by any available method – voice or text. The *field diary* chronicles the relationship between the observer and the social situation and serves as a future context resource for the observer. *Field notes* are compiled on the day the data is collected and may be supplemented by additional documentation or data received. The *field log* is a recording of times, places, events, individuals or occurrences related to the research during a specific day. The audit trail for this research includes raw data (field notes, digital recordings, documents), data reduction (condensed notes and working analyses), and data reconstruction (themes, definitions, and relationships).

**Data collection specifics.**

The research process consisted of the following steps:

1. The literature review process examined the normative and academic literature with an initial focus on nonprofit governance. Additional literature research was conducted on the Balanced Scorecard to establish a relevant theoretical framework.

2. After approval of my dissertation proposal, I submitted my research protocol and informed consent protocol to the Institutional Review Board (IRB) at the University of Arkansas. The protocol was approved without the need for clarification or additional information by the IRB in November, 2011.

3. I met informally with the executive director of TSI at the organization’s barn and riding stable. She provided me with written documentation relevant to TSI and to my study. That information included by-laws, articles of incorporation, board meeting minutes, a financial audit, Internal Revenue Service Form 990 and a list of current
members of the board of directors and their contact information. That meeting was not part of the interview process and was not recorded for future use.

4. I attended three separate meetings of the TSI board of directors in the period from April, 2012 to September, 2012. Field and observational notes were made during the meetings to record the content of the meeting, as well as my own thoughts and interpretations. TSI board of directors did not conduct any separate committee meetings during that period.

5. Individual interviews with members of the board, the executive director, and TSI’s main benefactor were conducted from September to October, 2012. Eight individuals participated in the personal interviews, six of whom were members of the board of directors. I chose to conduct interviews in a deliberate sequence to maximize my knowledge as I progressed towards interviewing individual board members. I first interviewed the executive director of TSI, not only to gain her perception of the board of directors and their effectiveness as a governing body, but also to enhance my background knowledge of the organization. Second, I interviewed the president of the board of directors, the only individual to serve in that role since the organization’s inception. Third, I interviewed the primary benefactor of TSI, who founded the organization along with the current executive director. Finally, I interviewed the five remaining board members. The interviews were digitally recorded and transcribed word-for-word for coding.

6. I conducted open coding on the transcript of each initial round participant. Key points and patterns emerged from the coding; that data was used to guide my follow-up interviews with willing participants.
7. I conducted a second round of interviews with the executive director, the president of the board, the primary benefactor and four additional board members. Two of the original eight participants did not respond to requests for a second interview. The subsequent set of interviews was conducted to clarify or verify the data that emerged from the coding of the transcripts of the initial interviews. The second round interviews were digitally recorded and transcribed word-for-word for future coding.

8. The second set of transcripts was open-coded to identify patterns or themes that did not emerge in the first round of interviews and to verify preliminary data. Transcripts from the two sets of interviews yielded approximately 200 pages of raw data.

9. I extracted and identified patterns and themes, along with representative raw data from the original transcripts and re-organized them based upon the newly emerging themes and patterns. That process resulted in approximately 40 pages of coded raw data.

**Data Analysis and Synthesis**

The fieldwork generated significant raw data which was coded and evaluated to uncover any dominant major themes. After data reduction and codification, the qualitative data yielded patterns reviewed through triangulation of the sources. Emergent patterns developed into potential explanations of the perceived roles of nonprofit board members. During the coding process, I remained aware of my personnel bias and was willing to question all findings due to my previous experience in nonprofit corporations. However, my experience as a practitioner in the nonprofit community was a considerable asset for data collection and analysis.
Stake (1995) identified four forms of data analysis and interpretation in the case study approach to research that are relevant to this type of research. The researcher first engages in categorical aggregation, seeking emerging issue-relevant meanings. The coding of the data was open coding which, as defined by Creswell (2007), is “coding the data for its major categories of information” (p. 64). Themes and patterns must emerge from the analysis of the data through the direction of the categories identified during the coding process (Rossman & Rallis, 2003). According to these research provisos, preconceptions should be excluded from the coding process. Second, direct interpretation is employed to develop meaning from single instances without the benefit of multiple occurrences. Next, similarities and differences among the data are used to establish patterns that may form a uniform framework. Finally, naturalistic generalizations are described that may have emerged from the data analysis. The inductive approach (Shank, 2006) allows general patterns to emerge as specifics are collected. I was aware that my personal interpretation may have influenced which themes emerged from the data. Naturalistic generalizations and their relevant themes were then used to compare and contrast the results of my research with the existing literature.

**Limitations of the Study**

The primary limitation of this study is that the outcomes of a gap analysis of a single organization through a case study are not transferable to the nonprofit community as a whole. While the process may be replicated in conducting the gap analysis, and the use of the Balance Scorecard may be replicated, the findings are not generalizable. Second, the organization selected for this study was a sample of convenience. The parameters of this sampling approach considered only nonprofit organizations in Pope, Yell and Johnson counties in Arkansas. This sample set was further restricted to organizations with an established operational history of at
least two years, and to organizations that are current members of the local United Way. However, the convenience sample does enhance the study through my knowledge of the local community, available resources, comparable services, the local United Way, and in general, the broader nonprofit community in Arkansas. Results of the study are dependent upon the responses of members of the board of directors, the executive director (CEO) and additional relevant individuals, with the assumption that all respondents provided information honestly to me.

**Role of the Researcher**

In this case study, which involves a single researcher, I must maintain awareness of my own biases as well as the limit of scope defined by the study of a single entity by an individual researcher. Validation strategies are necessary to control, as much as possible, for any unintentional bias.

Apart from the question of bias, I did bring certain unique strengths to the research process. First, I have 19 years of experience with nonprofit organizations in Arkansas as an employee, volunteer or board member. From an employment perspective, the majority of my nonprofit experience was in the field of developmental disabilities. In that capacity, I served as a direct care worker, case manager, rehabilitation/vocational specialist, development officer, community services director and vice president of development and administrative services. I have completed the Certified Volunteer Manager program through the Arkansas Public Administration Consortium, developed and supervised a two-year AmeriCorps program through the National Service Corporation and have served as a volunteer board member for a public arts center, a volunteer fire department, a chamber of commerce, a civic club, and a statewide association of nonprofit organizations. In addition, I have provided organizational management
training and strategic plan facilitation to a variety of nonprofit organizations. Considering this background, I believe that my experience outweighs any biases or any preconceptions I may have acquired while gaining that experience.

**Issues of Trustworthiness**

Adopting the definition as provided by Harrison and MacGibbon (2001), trustworthiness of the data indicates “the ways we work to meet the criteria of validity, credibility, and believability of our research – as assessed by the academy, our communities, and our participants” (p. 324). Based on the work of E.S. Guba on qualitative research trustworthiness constructs, Shenton (2004) identified specific strategies to address the four primary constructs of credibility, transferability, dependability and confirmability.

**Credibility**

Credibility is the qualitative researcher’s paradigm for ensuring that the research effort actually measures what it intends to measure. The following proposed strategies to address credibility were adopted from Shenton (2004). The effort is a comprehensive case study of a single nonprofit organization with data collection through the primary effort of individual interviews, but also via observation of board meetings, committee meetings, organizational documents, web presence, and publicity publications. Second, as is the nature of a case study, the researcher will develop comprehensive knowledge of the organization, its clientele, and its culture prior to beginning individual interviews. Third, triangulation is used to cross-validate the data across multiple sources. Fourth, informant honesty is addressed by allowing participants the option to refuse to participate – as was addressed in the requisite participant informed consent – the unconditional right to withdraw at any time, and ensuring participants that all individually collected data will remain anonymous. Fifth, the researcher will continually engage in
debriefing sessions with the dissertation chair, as well as employ peer scrutiny by a combination of colleagues, peers and academics. Finally, member checks occurred by providing participants copies of interview transcripts and affording them an opportunity to clarify and validate any responses given to the researcher.

**Transferability**

The second component to ensuring data trustworthiness in qualitative research is the transferability, or external validity, of the findings. As a qualitative case study of a single nonprofit organization, the transferability of the findings is limited to the replication of the process. Shenton (2004) indicates transferability is not easily generalizable in a qualitative effort, but is possible if the research provides the proper framework and context of the research so like organizations could recognize the similarities, as well as the limitations, and make the transfer of findings feasible. To address the boundaries of the research, the following will be clearly identified (Shenton, p. 70): a) the organization and its geographic location; b) restrictions on those who contributed data; c) number of participants in the fieldwork; d) data collection methods employed; e) number and length of the data collection sessions; and f) the time period in which the data was collected. Ultimately, transferability is a matter of context.

**Dependability**

Dependability allows the possibility of the repetition of the research if doing so within the same or very similar context is possible. Shenton (2004) posits that the research methodology and the instrumentation must be reported in very clear detail and, if possible, presented as a prototype design for future researchers. Researchers may have different outcomes in a repetition study based upon the variability of even similar nonprofit organizations. However, the path and instruments of the research methodology must be clearly delineated.
Confirmability

The final component to data trustworthiness is confirmability. As defined by Shenton (2004), confirmability “is the qualitative investigator’s comparable concern to objectivity” (p. 72). Critical steps must be taken to ensure that outcomes of the research, as much as possible, truly reflect the data collected and mitigate researcher bias. Multiple methods are available to mitigate bias and enhance validation in a qualitative study; in general, four of these methods were employed in the current study.

The first of these methods is triangulation, i.e., the use of multiple sources gathered during the investigation (e.g., structured interviews with board members, structured interviews with staff members, organizational documents, observation of board and/or staff meetings, etc.).

The emergence of similar or identical themes through multiple resources facilitates the opportunity to cross-validate the data. Member checking, as defined by Creswell (2007), “involves taking data, analyses, interpretations, and conclusions back to the participants so that they can judge the accuracy and credibility of the account” (p. 208). A research audit trail must be maintained that provides, as described by the Robert Wood Johnson Foundation (n.d.), “a transparent description of the research steps taken from the start of the research project to the development of the reporting and findings” (www.qualres.org/HomeAudi_3700.html). The audit trail for this research includes raw data (field notes, digital recordings, documents), data reduction (condensed notes and working analyses), and data reconstruction (themes, definitions, and relationships). The final method involves the potential transferability of the results to similar nonprofit organizations. As this research is a case study of a single entity, the research must use detailed and descriptive language to develop a rich and holistic view of the subject that will
enable the reader to examine substantial, in-depth information that will facilitate comparison to another nonprofit organization.

Chapter Summary

My research examined the gap between the expectations of board performance of the nonprofit organization’s senior leadership and board members’ self-perception of their role in the governance of the organization as well as any effect that gap may have on organizational effectiveness. The methodology described above examined a single nonprofit organization located in west central Arkansas. Through the use of this methodology, I assessed how a board of directors’ role in the governance of the nonprofit organization may be influenced by accreditation or comparable nonprofit standards; how board of directors’ roles may influence third-party stakeholders, such as private or public funders; and how board influence directs activities of the organization’s chief executive officer. The findings of my research, discussed in the next chapter, not only reveal the potential challenges of the board of directors of an embryonic nonprofit organization but also indicate a need for continued research on the governance of smaller organizations.
CHAPTER FOUR
TEXT ANALYSIS AND THEMES

From a research perspective, my experience with TSI and the governing board presented more of a challenge than I had anticipated. The organization is governed by a ten-member board of directors. Six members of the board agreed to participate in the qualitative interview process, four of whom responded to requests for a second round of member check and validation interviews. The executive director and the primary benefactor participated in both a primary interview and a member check and validation interview. The second round of interviews focused on collecting additional information about key themes emerging from the initial interviews and validating round one data. The interviews were conducted either in the home or place of business of the interviewee at a date and time convenient to their personal schedules. Interviews occurred in one of two locations: personal homes and places of business.

TSI is a 501(c)(3) nonprofit enterprise located in west central Arkansas. The Articles of Incorporation for the organization were filed on May 1, 2007 with the Arkansas Secretary of State. The Articles of Incorporation state that, “The management and affairs of the corporation shall be at all times under the Direction of a Board of Directors, whose operations in governing the corporation shall be defined by statute and by the corporation’s by-laws” (TSI, 2007). “The organization serves children and adults with a wide range of physical, cognitive, mental and emotional disabilities through hippotherapy and therapeutic riding. Hippotherapy is a physical, occupational and speech therapy treatment strategy that utilizes equine movement. Therapeutic riding is a term encompassing a variety of equine activities in which people with disabilities participate, with a focus on riding skills development” (TSI, 2011). According to the organization’s website (www.equestrianzone.org/about-us.html), TSI’s mission is to “enrich the
lives of persons with special needs/disabilities and foster functional independence with increased self-confidence and improved skills of daily living through the use of safe and enjoyable therapeutic, equine-assisted activities.” The organization’s annual budget is approximately $65,000. The 2012 board of directors consists of eleven (11) community volunteers. The professional staff is limited to the executive director and a therapeutic riding instructor.

TSI sits on approximately 17 acres of land located in a community of 30,000 in west central Arkansas. The facility is in the southern part of the county, approximately 2 miles from the banks of the Arkansas River. The land is located in the rural outskirts of the city, although it does have a local mailing address. The driveway is shared with the home of Jill and Kerry Smith, the primary benefactors and co-founders of the organization. Their home is a contemporary one-story home that sits on the right hand side of the property atop a small rise. To the left of the driveway is the uncovered riding arena. The drive of less than a quarter-mile leads down to a modern six-stall horse barn with a small office area attached (J. Aulgur, field notes, September 12, 2012).

The barn is painted a traditional red and is immediately adjacent to the riding arena. The office area is small and nondescript. One room contains riding equipment, therapy equipment and other items not needing to be exposed to the weather. The front room serves as a place for parents to wait during therapy services or as a break room for the staff. It contains a couch and a few chairs and is very modest. The barn itself is well-constructed and maintained. TSI has five horses in its stable, ranging in ages from 14 to 24 years. All of the horses have been donated. The horses are the keystone to effective therapy services in hippotherapy and, by all appearances, they are treated as such at TSI (J. Aulgur, field notes, September 12, 2012). This is reflected in
the biography of each horse presented on the organization’s website (www.equestrianzone.org/meet-our-horses.html). The biography of Caddy reads:

19 yr. old Arabian mare chestnut with a star strip snip donated by Rosemary White of Jerusalem, AR. We often joke that Caddy is autistic, that being why she relates so well to many of our riders with autism, but she really just has a unique personality as well as providing a movement style that challenges riders.

Around the outskirts of the barn, I noticed the usual implements one would find with a horse operation including, such as, a tractor, a four-wheeler, a trailer and various smaller pieces of outdoor equipment. Adjacent to the property to the west lies an additional ten acres of land. This land, yet to be cleared and slightly forested, was purchased by Jill and Kerry Smith for the future growth of the organization.

The purpose of this single case study of a nonprofit organization was to explore the self-perception of the governance role by the board of directors. My anecdotal experience over twenty years indicated most nonprofit governing boards operate more from their own historical basis as opposed to any governance standard defined in the normative or academic literature. Additionally, small or embryonic nonprofit organizations do not have the financial resources to invest in training, development and strategic planning as do larger and more established organizations. This chapter presents the key findings obtained from 13 in-depth interviews with six board members, the executive director and the benefactor of TSI, along with the direct observation of three regular meetings of the board of directors and a tour of the facility.
Text Analysis

I read through the transcripts of the initial round of interviews without attempting to code in order to develop a broad sense of the information provided by the participants. I used open coding on the second reading of each initial interview transcript and noted in the margins any relevant concepts, thoughts or statements. I read each transcript a second time with my annotations from the first reading and made adjustments, corrections and additions to the notes form my first reading. Next, I alphabetically listed all of the tentative categories which emerged from the literature. As stated by Merriam (2009, p. 181), the challenge of coding “is to construct categories or themes that capture some recurring pattern that cuts across your data.” This process was repeated following the second round of interviews.

Theme Development

At the completion of the coding process and reviewing the data collected from supporting documents and observations, I developed a tentative set of categories. The names I assigned to each of the categories emerged from my coding. The names assigned to each category were heavily influenced by my anecdotal knowledge of the nonprofit sector as a professional and practitioner, as well as my review of the academic and normative literature. Merriam (2009) noted the names of categories typically are derived by the researcher, the participants, and outside resources but they are most often what the researcher sees in the data. The following sixteen categories, in alphabetical order, emerged from my analysis of the data:

- Advisory board influence
- Board development
- Credibility
- Executive director value
• Executive director / board of directors relationship
• Governance
• Liabilities
• Mission
• Nonparticipation
• Nonprofit experience
• Officers
• Orientation and training
• Quorums
• Roles and responsibilities
• Sustainability

Sharan Merriam (2009) stated the themes derived from a research effort must not only be responsive to the research question or questions but also (p. 186):
• As sensitive to the data as possible
• Exhaustive enough to encompass all relevant data
• Mutually exclusive (a relevant unit of data placed in only one category)
• Be conceptually congruent (all categories are at the same conceptual level)

At the conclusion of my category development process and a review of my data, I constructed for major themes:

1. TSI remains an embryonic nonprofit organization nearly six years after its formation, struggling with the challenges of governance, strategic planning, and sustainability.
2. The board of directors of TSI has minimal prior nonprofit governance experience and this lack of experience, combined with no formal orientation process or board development efforts, creates liabilities for its members.

3. The board of directors’ self-perceptions and characterizations of their roles do not present a consistent or clear understanding of nonprofit governance.

4. The executive director is the keystone to the organization’s operational and governance success and her value to the organization is confirmed by the board of directors.

The final themes and the categories assigned to each theme (in the order presented) are:

**Embryonic Organizational Structure**

- Mission
- Governance
- Credibility
- Sustainability
- Advisory board

**Board of Directors Knowledge and Experience**

- Initial board formation and recruitment
- Orientation and training
- Board member development
- Prior nonprofit experience
- Board member liability

**Board Member Self-Perception and Characterization**

- Board member roles and responsibilities
• Officers of the board
• Board member nonparticipation
• Board meeting quorums

Role of the Executive Director

• Executive director value
• Executive director / board of directors relationship

The following is a discussion of each of the four findings in detail. The story of TSI and its current governance is told primarily through the voices of the participating members of the board of directors, the executive director and the organization’s primary benefactor. Details of support are added by my own observations, including not only the personal interviews conducted with each participant but also of board meetings and facilities. Additional supporting details are drawn from corporate documents, social media, board meeting minutes and agendas, financial statements and TSI’s website. All forms of collected data, when combined, present a rich and detailed picture of the current governance paradigm of this nonprofit corporation.

Embryonic Organizational Structure

Mission

The majority of the board members expressed enthusiasm for the mission of TSI, but also for the direct impact on the individuals served. The formal mission statement, according to the organization’s website (www.equestrianzone.org/about-us.html), reads:

Our Mission is to enrich the lives of persons with special needs/disabilities and foster functional independence with increased self-confidence and improved skills of daily living through the use of safe and enjoyable therapeutic, equine-assisted activities.
The members of the board of directors expressed their own personal descriptions of the mission of TSI:

Well, they say, “What do you all do up there?” And well, we do therapy for children with disabilities on horseback. And so, you’re thinking, “ok, a kid riding a horse.” And okay, that’s one picture in your mind. And then you come – and I’ve seen the faces of like when we have the Boots and Benefactor Barbeque, we had it out here the first year, we had a grand opening out here where we invited the community and we bused them in . . . I was the commentator at one of those events, so I was able to watch their faces and they were like – when you have not experienced a profound disabled child and you see what they are actually able to do and how they are able to respond, I think it’s breathtaking. And the horse is part of that – better than any other tool you can have, but I think they get it when they see it. Not when they are told about it, but when they see it. (Susan)

Again, unless somebody really goes out and see what they do, it doesn’t really grab them, I don’t think. They don’t grasp – It’s like anything else. If you see a child who’s normally subdued or constrained or suppressed, depressed, and you see them out there on the horses and they come to life – it’s palpable. So, awareness, I think that’s the only way we probably get a broader sense of support, if you could somehow. (Tyler)

I’ve seen kids whose muscles are so brought up like this, that when they are in therapy at school or something, they’ll cry, they’ll yell, they’re not very verbal, you know, they don’t want to do it. But if you put them on a horse’s back and tell them they have to stretch back here and tap him to go, then they will do it. And
it’s just so amazing to have to miss because of heat or rain or whatever, to me is just a shame. (Erin)

While board members vividly expressed the impact of hippotherapy on the individuals served, the executive director, Jill, acknowledged that not all needs were being met: “I mean, there’s so much need for what we do, and we are really limited by the number of people that we can serve. . . I want to serve more people.” Another board member recognized the quality of the services delivered must be maintained at a high level.

Ok, they have to excel with the day-to-day operations with how they serve the kids. We’ve got to have the best therapists in there. Parents have to see benefits to their kids. And if we aren’t doing that, then there is no reason for us to be, you know? So, they have to excel – our therapists, our volunteers who walk beside the horse and hold the kid and lead the horse. (Erin)

On TSI’s website (www.equestrianzone.org/about-us.html), a statement provided by Vanessa Covington, whose daughter receives therapy in the arena, validated the above remarks made by the board of directors regarding the organization’s mission:

For an hour each week, Rett Syndrome almost goes away. Some of the usual limitations seem to be carried off by the country breeze. My little girl, unable to walk, enjoys the freedom of movement provided by a beautiful four-legged creature. Her irregular breathing slows to a more normal rhythm. Although she is nonverbal, her eyes gleam with unspoken joy. All smiles, she is just a five-year-old girl.

The testimonial of a service recipient can provide a substantial source of mission validity for a nonprofit service organization.
Governance

It became apparent early in the data collection process that a clear consensus did not exist as to the meaning of nonprofit governance within TSI framework. Jill, the executive director, indicated board members did not primarily constitute TSI’s decision-making forum: “Some of the things we do at our meetings are informative. Less about making decisions and more about informative – I’m giving you information.” Additionally, she indicated ambiguity with the meaning of nonprofit governance: “And what does governance mean? And what would you define as governance? Because, obviously, in my mind, governance may mean something different than what another board member may think.”

The role of the board in governance is a theme which continued to emerge throughout the process. Board members struggled with the idea of moving away from a working board of directors, a board directly and heavily involved in all activities of the organization, and a governing board.

I don’t think it’s one of those things that we become a better organization if we get bigger. I’m not saying that we shouldn’t grow; I’m just saying I don’t think it has to. But it might need to be more professional. And if it’s going to be more professional, then you are going to have to have some people who show up to functions whose really big task is taking on the risk of the organization and making sure that their path is where it is. (William)

I think later, down the road, just me, I would say much later down the road . . . I can see that transitioning over, I can see some of the working board still being there and bringing on other people to do the work and the board to govern, since they’ve been there and experience speaks volumes with me. (Sloan)
As far as being on the governance of the board and all of that stuff, like I said, I don’t look at it as a big – I’m going to go by Robert’s rules “we’ve got to do this, we’ve got to do that.” It’s not important. What’s important is getting in there and making sure we are doing everything that we can within the organization to ensure we promote and continue it . . . I don’t think so, I think the governance part of it – part of the working. I mean it’s all, you know, it’s like you look inside a watch or a clock, you have all of these cogs and everything that is turning and making it happen. And one part of it, might be bigger than the other or whatever, but they’ve all got to work together in order to make it happen. So, for me, it’s just all a part of it. I think that formality – if you get hung up – I’ve been in groups that are very strict and are run very strictly. And you know the governance part of it is very strict. And for me, that is not a comfortable way to be. I think that you need to know what you are doing and you need to understand everybody’s roles, but as that goes, everybody kind of helps each other too. And to me, that’s a much bigger thing than being so strict on everything else. (Erin)

It probably eventually should, is what I’m thinking. You know, where you have enough people underneath that can do all of this stuff that we’re doing. To me, it makes sense to me that that would by the natural progression. But, I imagine that if it’s the same board members, they probably like to get their hands dirty if they can. (Doug)

The construct of the board members’ self-perceptions of their roles and responsibilities with regards to governance is discussed in greater detail later in this chapter. A statement provided by William five years after TSI’s legal founding as a nonprofit corporation articulated
the organizational mindset: “We are still getting off the ground. Even as successful as we are, we really are.”

Credibility

Credibility, combined with stability, can be a critical component to the survivability of an embryonic nonprofit organization. In the case of TSI, financial resources were limited and relatively substantial financial expenditures had to be carefully weighed. The board determined it was necessary to invest in an independent financial audit for two main reasons: to establish external credibility and to become eligible to apply for local United Way funding.

To be able to apply for the bigger grants. United Way and some other grants, you have to have the audit to be able to apply for those, and we wanted to be able to do that . . . It brings you up into a different bracket with the organizations that provide those grants. It opens up those doors. Get your word out – who you are. (Doug)

I was about to use the word “credibility.” We might be the smallest organization that ever applies for some of these grants but because of the protocol, we have the same credibility as the American Cancer Society. We’ve done all the same things for that level of grant application, and so, but we don’t have the money. (Robert)

The way I was perceiving it, [the audit], I guess, and the way they were talking about it at the meeting was that it was mainly for United Way. (Sloan)

One board member offered a different perspective regarding the audit from a cost versus benefit viewpoint:

And there was a discussion about it, because it came down to do we pay for feed or do we invest in this? And until we got to the creative solution of having
somebody who would be willing to do it over a certain number of years [the audit], we really – we weren’t dragging our feet, but we had to make sure that we couldn’t commit ourselves to something we couldn’t do as far as money. It definitely was a step towards a more developed future, especially in terms of fundraising. (Tyler)

Robert viewed organizational credibility from a completely different angle: “Our inefficiency comes from the fact that we don’t have a celebrity status member or a celebrity status promoter.”

I reviewed the statement of financial position for fiscal years 2010 and 2011 for TSI, each ending April 30 of the respective year. Duvall & Ford, PLLC (2011) of Atkins, Arkansas completed the audit report on July 19, 2011. The assets of the organization were very low for an operating nonprofit organization. From 2010 to 2011, net assets decreased from $18,048 to $5,582. The decrease in net assets was due to an operating loss of $12,466 in FY 2011. Revenue decreased by 27% in FY 2011, primarily due to a decrease in fundraising in excess of $11,000. The decrease in revenue was coupled with a 24% increase in expenses, primarily in contracted labor for the provision of direct therapy services to program recipients.

**Sustainability**

Sustainability is a factor for long-term growth in either the for-profit or the nonprofit sector. A key component to achieving stability is articulating the needs of the organization. The executive director and a board member identified capital expenditures with need:

I’d love to have a covered arena and a non-covered arena. And I’d like to have more office space and I’d like to have a horse shelter, and it’s all about growth. That’s how I see it. I mean, I would like to help a lot more kids. (Jill)
I would like to see us find some way to bring more funds into it or things like a covered arena. In this area that’s really important in the summer, you know, when the sun’s beating down and you can’t even get out in the shade to do, you know, your therapy. (Erin)

One board member, Doug, articulated funding as the key need of TSI:

I think money, you know. They just don’t have the funding to expand and staff it the way they should right now. If we could get some regular cash flow coming in that would sustain it, it would be the main goal right now.

From Robert’s vantage point, the organization lacked awareness from the local community: “Of course, I know a lot of that is rhetoric, just dialog, but I do know that there are a lot of folks who still don’t know what we do and I don’t know how to bring that into spotlight focus.”

One statement by the board president indicated the level to which the operational staff and the governing body are disconnected from basic expenditures:

When I asked . . . at one point, what’s it cost for a year’s worth of therapy for a child, she came up with a number of like $250, which was the first scholarship amount. Once they did that [examined actual expenses], they found that the cost was closer to $1,000, for a year. (William)

Sustainability will remain a critical challenge for the organization if its leadership cannot articulate the most fundamental costs of service delivery. Jill, the executive director, summarized the organization’s operating financial position: “But we need to figure out how to make it next month.” Erin expressed her frustration with the financial instability:
Like I said, right now is very difficult because we’re not March of Dimes; we’re not Easter Seals or any of these other big organizations that get millions of dollars a year. We’re lucky to get a few thousand a year that we’re getting. We’re almost like the local animal shelter on that trying to raise money here. It’s just the financial end is very difficult.

Sloan indicated how TSI was struggling to find the financial balance between required expenses and the cost to deliver the mission:

We’re still concerned about money for the insurance – the workman’s comp, and that sort of thing. We still have to make sure that we are able to pay out all of that and we still need to make sure that we have enough grants stuff out there that we can have enough kids to come before they even pay off.

A quote provided by Doug discussed financial instability, a lack of strategic planning and a lack of personal knowledge to develop a path forward: “I mean, it’s almost like we haven’t found that magic formula to make everything run smoothly. Like you said to tune up the car so it runs. So, I think that fits what we need to do. It’s just finding that magic formula. They were talking about getting a major donor that will continually make that donation that we can rely on, then they could be more substantial and stable. I just don’t know how to go about that.”

**Strategic Planning**

TSI will remain operationally challenged in the near future without consistent and reliable sources of funding for mission delivery. This is one area the organization could address with a viable strategic planning process.

Strategic planning is virtually nonexistent within the confines of TSI. When I asked the president of the board of directors, William, if TSI engaged in strategic planning, he replied, “As
a board. No.” William added that the nonprofit organization continued to operate without a business plan in place: “We don’t have a formal business plan yet. It will probably take me having the time to sit down and just start writing it, which I don’t mind.” William further explained the current operating environment of TSI:

So what you get is a group of people who have some general beliefs and you show up at pre-appointed times and they all have a voice and nobody has a voice. [The executive director] here has a big voice – not the voice – but a big voice. But you’re right in identifying that we don’t have three, four, five people tasked with meeting once a quarter or once a month or whatever it is, how often, that come in and say, “okay, here are the big things that need to get done. How have we progressed on what we are supposed to be doing? And run it like a business.” We don’t have that.

Members of the TSI board of directors consistently expressed the need for organizational strategic planning for future sustainability and growth but admitted day-to-day operational survival was the priority:

We have talked long-term a time or two, but I think the survivability has been our first and foremost goal. And so we haven’t had the pipe and smoke dreams yet, you know. We just have had to fight to function . . . But reality hits and we go right back into budget fighting. (Robert)

Because to me, change, growth, development – your people aren’t going to be the same, your circumstances aren’t going to be the same, the kids aren’t going to be the same. Everything has got to grow and change, and if it doesn’t, it’s going to stagnate and die. So, no matter what organization you are and how big you are, or
anything else, if you don’t continue to grow and change and adapt, then you are going to have a problem. (Erin)

Not really. We – I think I might remember one kind of strategic planning meeting that sort of addressed that issue, but when you are faced with again, how are we going to pay the light bill? That sort of overshadows – and it can’t, it shouldn’t overshadow it, because ultimately the way to pay the light bill is to have a plan that’s going to fund – have a more successful funding. (Tyler)

My thing is maybe to help us work more efficiently to the point where we can set the long-term goals and it’s not so the firefighting. And get those strategies down and increase the participation. I think that would be key. Right now you’re just kind of playing it as it comes. I think that’s stressful – almost disorganized. You can only work with what you have. Does that make sense? It’s been suggested that we have a strategic planning session, but it just hasn’t happened yet. And I think the main focus right now is keeping the money coming in so that the program will continue. I think the strategy is to hit the homerun, but to me, I think I don’t know if that’s really the answer. To have that personality, I’m sure would help, but in the long run, I’m not sure that that would be what is needed. It is not my area. (Doug)

The board of directors does not currently have the background or experience in nonprofit governance to make the critical connection between strategic planning and long-term sustainability. The critical focus expressed is on short-term survivability but little thought has been given to long-term sustainability.
Advisory Board

The executive director and members of the board of directors had referenced an advisory board to the organization during the interview process. If a second group of individuals were advising TSI, I wanted to know who they were and what role, if any, they played in the governance domain. The first person to mention the advisory board was Jill, the executive director. When asked, Jill identified the members of the advisory board as Susan and her husband, Kerry, who together are the primary benefactors of TSI. I asked Jill to clarify if there were any other members on the advisory board. Jill replied, “No, just her and her husband.”

The relationship between TSI, the advisory board and the executive director is complicated. In addition to the benefactor relationship with TSI, Susan is the primary employer of the executive director, Jill, outside of her role with TSI. Susan owns and operates a therapy clinic where Jill is employed as a therapist. TSI contracted with Susan’s therapy clinic to provide the hippotherapy delivered at the arena and to invoice the state Medicaid program for reimbursement. I interviewed Susan on two occasions at her home on the southern end of town. The home sits on a slight slope and overlooks the arena, barn and 17 acres operated by TSI. I did not interview Susan’s husband, Kerry, as it was apparent from speaking to Susan that Kerry was supporting what was primarily the passion of Susan.

Because of the unique relationship of Susan and Kerry with TSI, my initial questions to Jill focused on any conflicts of interest, real or perceived. Susan addressed her advisory council role, “I just can’t be a board member because I’m a property owner. So, advisor counsel kind of lets me – we bounce ideas off each other.” She was very aware of the danger of a conflict of interest perception regarding her therapy business and its role with TSI, stating that:
Recovery Zone actually does the billing for the therapy that is done in the arena . . . So, I actually gain financially in that area and I don’t think that it’s right that I sit on the board . . . I don’t even attend board meetings for that reason. I don’t want to make it look like I’m swaying anything.

But she quickly clarified that relationship with TSI, although proprietary, was not financially beneficial to her therapy clinic, the Recovery Zone: “We’re not making any money off of it. It’s actually costing us money, but so, it’s not the financial gain, it’s the mission.” Susan discussed at length her desire to ensure there was a clear business distinction between her role as the owner of the Recovery Zone and her role as the benefactor of TSI. She indicated she purposely maintained a distanced relationship with the board of directors: “Well, this is part of, maybe the area I need to grow in, but I really need to stay out of the picture because of the revenue I receive. I really don’t know all of the board members.”

During our conversations, Susan described her early relationship with Jill prior to the formation of TSI. Jill was clearly the driving force behind a desire to open a hippotherapy service in the Arkansas River Valley, but it was Susan and Kerry’s resources which made the organization and service possible. When I asked Susan to describe her motivation for providing hippotherapy services to children with developmental disabilities, she replied:

It was kind of like some of the faces that you see when people come out and they really don’t know what it’s about and then they finally see it and they are like “wow!” Because it’s not like something you can really describe. When you have someone – when their heart beats for others – and they see something like that, it’s even a step above that. It’s hard to describe.
Through her speech and body language, it was very apparent to me during our interviews that Susan harbors a deep passion about hippotherapy and its benefits to individuals with developmental disabilities. Given the apparent financial commitment of Susan and her husband, Kerry, I asked her how she might feel if TSI outgrew their adjacent property. Susan replied, “I would be ok if they outgrew our place and had to relocate. I would be ok with that. They were outgrowing our little 10 acres, so we went ahead and invested in the land behind us.” She explained she and her husband purchased the additional 10 acres adjacent to the land they owned at a price above market value solely for the benefit of TSI.

I asked Jill, the executive director, to assist me in understanding the relationship between the benefactors and TSI. More specifically, I asked her to explain it to me as if she were clarifying the relationship for a potential donor:

Because our horse budget alone is $27,000 a year. So, I try to just simply state that they found it in the goodness of their heart to want to do this for the citizens of our community. And so, they wanted to give the barn and the land and they pay the water bill and they gave us the tractor and the four wheeler and on and on and on.

In inquiring about the arm’s length relationship desired by Susan and Kerry, I asked Jill to describe the communications process between Susan and Kerry as benefactors and her role as the executive director of TSI:

Well, any communications side of that, if we have any changes to the land, anything that happens to the land or the fencing or anything like that, that’s our main communication, we have to. Because they also supply the tractor, you know
that’s their tractor, we just use it. The four wheeler, that’s their four wheeler, we just use it.

Later in the interview, Jill added, “[They] come to our large fundraiser but there isn’t any other communications between the two that I know of, other than personal relationships.”

TSI, as a nonprofit organization, relies heavily upon the generosity of Susan and Kerry. This reliance upon a single donor for the delivery of day-to-day operations raised not only questions about sustainability, but also survivability. I asked each board member if this reliance presented any degree of risk to TSI:

Yeah, I think so. Especially since the facility and the funding – everything functions there and I don’t know. Without really knowing the legal structure that’s been set up – yeah, I think it’s risky. If there’s ever a falling out, I mean – I confess, I don’t really know that the legal structure is. Was there a commitment made for X number of years at a nominal lease? Which I think is probably what they did, that would be my guess in terms of use of the property and use of the barn. But yeah, I think that definitely is a risk. (Tyler)

Well, it could because if something happens with them, then all of that is tied to them. If they have some sort of financial windfall or someone got sick and they aren’t able to sustain what they [have] given to them or leasing to them. That could cause some big problems. TSI wouldn’t be able to buy that land right now if something happened. (Doug)

I asked William, the board president, if he believed this reliance upon a single donor was in some way restricting the growth and development of the organization. He responded to that by saying:
I believe that if they took more of the micromanagement aspect to it or if we had to continually go back and get more money from them, then yes it would hold us back. But the truth is we don’t have to. Now, the land that we have was provided by them . . . It’s unlikely that we could find land that we could afford in the area that’s good, accessible, etcetera outside of what it is that we have. So, I don’t believe that they are holding us back. I don’t think that they have limited us. I think that we are limited by our own resources. We’re not limited that badly.

When the same question was asked of Jill, the executive director, she replied:

I think yes and no. I think that last year my answer might have been yes.

Because I know that if I completely hit rock bottom, she’s going to be there to bail me out. Because she did last January. In January is our lowest time of the year.” [The benefactor did not have the funds] “So, I had to – we had to make other – I went to the board then, and said “we’ve got to do a quick fundraiser to get $1500 to cover the payroll for the month of January.” Which, to them is a very doable number - $1500, we can come together and I don’t remember exactly what we did. It worked itself out. So, I think, I think you have a point. There’s holding us back from fundraising and growing our organization.

In my interview with Susan, she mentioned the same short-term cash flow emergency as did Jill above: “If she – if they get in an emergency, like they needed water in the back pasture, when we funded them for that. Last year, they needed some money to make it to the Boots Benefactors and Barbeque, so I did that in January instead of waiting until May.”
In an effort to bring the concept full circle, I asked Susan if she believed the generosity of her and her husband, Kerry, was enabling the leadership of TSI and indirectly restricting their growth. Susan replied, “Yeah, I’ve never looked at it from that relationship concept – enabling them to be dependent. You know, because I’m sitting back hoping they grow. I want them to grow. I’d love them to stay here, but if they don’t, we’re going to have a really nice barn.”

Susan acknowledged the organization was not yet financially stable or independent and its long-term future and sustainability were not yet assured.

**Board of Directors Knowledge and Experience**

**Initial Board Formation and Recruitment**

TSI, from initial conception to current governance, has had very little nonprofit experience between the board of directors, the executive director, and the benefactor combined. Jill and Susan were the driving force behind the organizational structure of what would become TSI prior to its formal status as a nonprofit organization. They had decided a nonprofit structure was preferred to a for-profit entity and this would require the establishment of an initial board of directors. Susan described her perception of their board member needs:

> We . . . sat down and we talked about what pieces of a board, what we knew we needed a financial person. We knew we needed a parent. We knew we needed just some key members in the community. We knew we needed someone who was geared toward having the ability to write grants. We knew we needed someone who knew something about horses and hay. And we knew we needed someone who knew something about fundraising and how to orchestrate that.

Jill described the process of identifying and forming the first group of potential board members: “So, we, uh, she got a couple of people and I got a couple of people that might be
interested and we had a meeting and said, ‘alright, let’s do this.’ So that’s how it all kind of came about.” Jill continued, “We tried to get people who would have their heart and soul in what we do. And so that was the first board members. We tried to recruit outside our circle.”

William, a professor of business at the local university, was recruited by Jill’s husband as a potential board member. Jill recalled, “Well, um, William, who is the president, was one of our – he was our very first board member. And, uh, my husband was in his class.” Robert, the board’s treasurer and an initial board member, described his recruitment:

One of my customers, uh, brought it up to me. One of my customers who is a physical therapist brought it up to me about the type of therapy being a unique and kind of revolutionary, renaissance . . . And so, I – she talked to me about it and knew that I was somewhat involved with a lot of the agriculture around here. . . I grew up on a farm and had a little more connectivity to that than I do just the doctor or the pharmacist or whatever.

William and Robert are the only two currently serving board members who were part of the initial board formation in 2007. William characterized the differences between the board of directors then and in 2012:

I would say that our current board is more likely to be committed than our first board was. Because our first board was partially born out of simple necessity for a board. There were people who had an interest, but it was pre-organization. So, we didn’t really know what we were getting into. We have an idea of what this could be, but we really didn’t know what we were getting into. The people who are on the board now, know what we are getting into. We have an established set of things we typically do . . . We know how this organization runs. We know
how the kids get helps. We know the kinds of people we need to have there and 
the kinds of resources that we need to have available to make sure that the horses 
are in good shape, the kids are looked after and treated and etcetera, etcetera. . . 
The first one, we had people who were like, “hey, this is a neat idea. Yes, I’d like 
to get involved with it.”

As with any nonprofit board of directors, TSI experiences a continuous need to replace board 
members who have either rotated off at the end of their term of service or who simply became 
non-participatory in the governance process. The following recurring request is present on the 
organization’s website, indicating board member recruitment is ongoing and not inherently 
selective: “TSI is still seeking members of the community to serve on our board of directors and 
on our fundraising committee. If you would like to donate your time and talents, please e-mail 
us.”

The bylaws of TSI (2010) codify the lack of process in recruiting and selecting new 
members to the board of directors:

When a vacancy on the Board exists, nominations for new members may be 
received from present Board members to the Secretary two weeks in advance of a 
Board meeting. These nominations shall be sent out to the Board members with 
the regular Board meeting announcement, to be voted upon at the next Board 
meeting. These vacancies will be filled only to the end of the particular Board 
member’s term. (p. 3)

The bylaws allow the board to have up to 15 members but no less than 4 members. The available 
records indicated the board never had more than 11 board members at any given time.
Jill identified a broad need for potential board members based upon affiliation or profession, including a pediatrician, individuals associated with equine associations, financial services and healthcare professionals not related to therapy services. She initially expressed the need for a pediatrician, not for medical knowledge or a role in governance, but as a marketing entity: “I would really like to bring on a pediatrician that would be present one time a year, and people would say, ‘Wow, Dr. Such and Such is a part of that. We need to get behind that.’ And the other pediatricians or other doctors would start believing in it too.” But, in a follow along statement, she rightfully identified real value versus perceived value as the challenge in the board member recruitment process:

So, I think it depends on the individual to know whether or not the value – what value would it bring to your board. Would it bring – for us, it would bring respect from the medical community if we brought a pediatrician. If you brought a person that was – had a whole lot of money and they ran in a circle or group that had a lot of money, then would that person be of value, because they were a financial contributor?

From the executive director’s vantage point, board member recruitment centered upon credibility and value added to the organization.

The current board members of TSI expressed a wide range of ideas with consideration to board member recruitment. William mentioned representation from public relations and construction, but conceded individuals in the construction industry likely would not have the time to contribute:

We could probably use a PR person. That was one of the first people that we had, but she was one of the first board members that we lost. . . . But, I think a good
PR person and maybe a good construction industry person, because we need to do a canopy over our riding area . . . A PR person is a possibility, but I don’t think the construction one is going to happen.

Doug and Erin reiterated Jill’s belief in credibility through professional representation on the board of directors:

Um, perhaps, well, we could always benefit from people who are in specialized areas, you know. I don’t really see how an attorney would be that big of an addition to us, other than their connection in the community. . . People who understand things about what we are doing are always an asset. People who understand things about, oh, who we need to draw support from are always an asset. Like I said, specialization can always help in certain ways. I don’t know, and some of them may just be because of their connections in the community, you know. (Erin)

I think she just finds people she thinks might be interested that could help and asks them . . . I know she likes to have the doctors on board – you know, some of the medical community involved. But they are so busy that they can’t hardly get away from work. I think that might be an asset. I don’t know, maybe education. Just broaden the spectrum of the people there, so that it’s not just limited to the horse community. (Doug)

Although William did express a need for specialized representation on the board, he and Tyler both offered what, on the surface, appeared to be a more realistic expectation with board member recruitment:
Really, it is a matter of seducing somebody to be on the board. Now, getting to be on there and now the people that are on there are ones who are more likely to have a vested interest in the mission of this thing as opposed to what we thought would be the mission and what we thought was going to happen. (William)

I haven’t really been involved in the cultivation of, you know, new board members. It’s like . . . it’s like “are they alive? Are they breathing? Can they meet on Thursday at 6:00? . . . You know, part of it is, you’re almost willing to jump on anyone who expresses an interest. I’ve actually done – whenever I’ve had an opportunity to tell people about it, I’ve suggested to, I’ve invited several people, but nobody’s stepped up. But I’ve invited. (Tyler)

By all accounts, TSI does not have any strategic process in place to recruit, retain and develop new board members.

**Orientation and training**

TSI does not provide any viable type of orientation to new board members other than a binder of basic information. Board training and development is non-existent. I asked Jill, the executive director, to describe the orientation process for new board members. She replied, “We don’t have a formal orientation.” She described a very brief process in which she covers the basics of TSI to the new board member. According to Jill, this process usually occurred immediately prior to the new member’s first meeting. Multiple board members described a similar experience:

Yes, there was. There was a time we went over, I’ve got a notebook, we went over quite a bit of stuff. We had a bit of an orientation at the meeting when they
voted me on. There was confidentiality paperwork and all that sort of stuff. So, yeah, we went through that. (Sloan)

A little bit. Just through the members that were already there. They have a notebook that they give you that you can read through and see what all of the bylaws and you know all of the things they do. And, I think there was like a past budget that I could look at and see how things went and all that kind of thing. (Erin)

There was a manual that I read. But it was kind of dive in and – ’cause shortly after becoming a board member, we decided to have one of the major fundraisers, which has become the major fundraiser for us, which is the barbeque thing. I just got really caught up in that in the beginning . . . I did go out and spend time observing. I took a couple of days and went out and observed to see what was going on, how the therapy worked. But most of it has been talking to [the executive director]. There was – it wasn’t a formal orientation session, but there was material I could read. (Tyler)

It was just our first meeting; we just sat down and started. We got a folder with some stuff in it, but that was about it. (Doug)

Doug later expanded on the lack of orientation provided to him as a new board member:

It’s kind of like we talked about at the meeting, how in a letter, something beforehand, what the expectations were, what they would be asking you to do. We kind of for the other board I’m on. You have to sign a personal agreement that you are going to be able to participate and do certain things that are required
by the board. So that kind of gives you an idea of what they are going to want you to do. I think that would be something that would be beneficial to new members. So you’re just not thrown in and “we want you do to this.”

The lack of a formal orientation process does not provide new board members with a solid foundation from which to be effective in the governance of the organization.

**Board member development**

The challenges of governing presented from limited nonprofit experience, no formal orientation process and no standardized board member selection process are magnified by the lack of any ongoing board member development once they take a seat on the board of directors. When I asked Jill, the executive director, if the board engaged in training or development, she replied, “It’s needed. We have intentions to plan it.” After I explained the different types of training historically beneficial to nonprofit board members, Jill commented:

So, we all need to go to a board of director training? Because I’ll tell you this, I missed the one at ACE (Arkansas Coalition for Excellence) on board governance. I missed that training. I did all of them. I went every month but I was sick that month. And I hate it because I would have gained so much knowledge to bring back.

Professionally trained as a therapist, Jill described how she had attended a series of nonprofit leadership training workshops offered by the Arkansas Coalition for Excellence, Arkansas’ state nonprofit association, in an effort to increase her own working knowledge of nonprofit operations.

When individual board members were queried to identify their own needs for training, if any, the responses focused on grant writing and fundraising:
The only thing I would like, is that we are probably going to have to do this on our own somehow, is I would like to have some training in grant writing, because I think that, you know, [the executive director] does almost all of that by herself. I think that if she had some other people assisting her with that, it would, you know, help. (Erin)

I think we really need to get smart about grant writing. I think that’s an area that we’re probably – I think TSI is maybe underserved. I just don’t know how effective we are or how far-reaching our efforts are for going after grants that might be out there. I think that might be an area. And the other one . . . I think if we could be trained a little better on how to sort of divide and conquer all of the tasks that need to be done and set up in terms of you’re responsible for this, you’re responsible for that. (Tyler)

I guess, since I’m doing the fundraising and everything, I don’t know if that would help or maybe help with grant writing, because we did go to some stuff about that, but not enough to learn how to do it. It’s not like we are there to do the majority of the big business, it’s all the little stuff that goes on. Being able to do more in other things, except for being the gopher to take care of that. I know the secretary is supposed to do a lot of that stuff, but to be able to do some of the extra stuff – maybe the grant writing and help with the fundraising. (Doug)

Sloan indicated a formal board development process would likely not be successful:

You know, I would like to know how to explain exactly what you are doing without going into a half-hour explanation of things. Other than that, I think if
you want training, you need to go down there. I don’t know if they can do it in a
class, because since we are a working board, you’re never going to get them down
there at the same time.

Sloan’s identification of TSI’s board of directors as a “working board” consistently
surfaced during my interviews with individual board members. The lack of board member
development and experience became apparent when the questioning turned to the potential
liability exposure of a nonprofit board member.

**Prior nonprofit experience**

The impact of a lack of a formal orientation process for board members and continuing
board member professional development could be partially mitigated by strong previous
nonprofit experience by both the executive director and the governing body. I asked Jill, the
executive director, if she had any personal nonprofit experience prior to TSI. She replied, “No.”
I also asked if she was aware of any prior nonprofit experience with her current board of
directors; she stated, “I think there are two board members that bring a lot of wealth from the
nonprofit world, but everybody else, from my knowledge of what they’ve done in the past, the
rest of our board, this is their first or maybe their second nonprofit experience.”

Four of the current board members described their prior personal nonprofit experience
before joining the board of directors of TSI:

I had been involved – my father was a minister and I had done ministry work, so,
I had done that type of not-for-profit thing before. And, you know, we didn’t run
any of the churches we worked for. (William)

Actually, I did, but it’s been many years ago . . . And I wrote some grants and was
on the board there for about eight years . . . (Sloan)
The arts center. I’m on the board of the arts center. I was the president for about four years, I guess. I did that pretty much – I’m still on the board at the arts center. And then also on the board of the dance foundation – so both of those. (Tyler)

Ummm, I’m on the Parent’s Advisory Council for Title V funds. I was the president of that for five years . . . But it’s a little bit different because we don’t require the funding, like TSI does, but we have to show participation with the state to continue to get funding from them. So, it’s a little bit different because of the money part. (Doug)

The executive director has no prior nonprofit experience. The membership of the board described prior nonprofit experience, but it is of limited capacity and scope. This dearth of experience, combined with no formal orientation and no board development efforts, create a threat to the organization’s existence and sustainability simply due to a lack of congregational knowledge.

**Board member liability**

The board of directors for a nonprofit corporation is responsible for the duties of care, obligation, and loyalty in the guidance and oversight of the organization as a part of the governance process. As such, any failure of the nonprofit in an operational context reflects on the board of directors as stewards of the public trust. William expressed a basic understanding of this requirement: “We do understand that the decisions that we make do have legal ramifications.” Interviews with other members of the board indicated either a lack of knowledge of the types of potential liability or no knowledge as to whether or not they were protected, as a board, by a standard Directors and Officers (D&O) insurance policy. A Directors and Officers
insurance policy protects the members of the board from liability exposure due to potential malfeasance or negligence on the part of the operational staff.

Erin and Sloan did not identify any potential liability exposure as a nonprofit board member:

Personal risk and liability like what? . . . I don’t care how it reflects on me. . . Or worrying about what someone else thinks. It doesn’t matter to me. But, as far as them suing, it would be difficult. They would definitely have to prove negligence on the part of the walker or the therapist or whatever. . . And then inherent possibility of something happening with an animal that has its own brain . . . And so parents are made well aware of that, you know, before their children come out there. (Erin)

Um, I think, you know, I really don’t have any. I’ve been on other – involved in other nonprofit organizations, not always necessarily a board member…That [theft] would be my only issue, but I don’t see it being any issue with this particular one [nonprofit]. (Sloan)

Additionally, there appeared to be little understanding of any insurance requirements or purposes.

I don’t think so. But I’m not positive. I have not heard it mentioned in there. It’s not in – I don’t think it (D & O insurance) is in any of the handouts that I’ve gotten. So, I don’t think so. (Sloan)

You know what, I don’t. That (a D & O policy) would make sense. I don’t know. It’s a good question. (Erin)
I have no idea (if a D & O policy is in place) . . . No, I think, I’m pretty sure.

Well, my understanding or my presumption is that if the insurance somehow conveys through the therapist, but there is some level of insurance that conveys through the therapist, but I’m not sure about the facility, so that’s a great question.

(Tyler)

Doug was not certain if liability coverage was or was not in place and he did not express a clear understanding of the role of workman’s compensation coverage:

I know she got workman’s comp coverage but I don’t know if that includes us. I know we had to sign some stuff, I’m not sure about it. . . That covers the board members and officers? I know we are paying a workman’s comp premium, but I don’t know what all that covers.

From this one example, it may not be generalized that the board of directors of TSI does not have a complete understanding of its role in nonprofit governance. However, it is an indicator such a possibility exists.

**Board Member Self-Perception and Characterization**

From my personal experience with nonprofit organizations, each governing body develops its own personality and governance style over time. The members of the board of directors consistently characterized their role as that of a working board of directors, with minimal focus upon governance. This characterization of the TSI board of directors as a working board began with the initial interview with the executive director, Jill. When asked to characterize the board, Jill replied, “Supportive, hardworking – I mean, they are there with anything I need. I feel like the board, we have two members, I just told you we had not seen in two years, you know, they came to one meeting and that’s it. But otherwise, they are a working
board.” William, the president of the board, described the board this way: “Now, we are pretty much a functioning board. But it’s a loose knit collection of people . . . We have more people than just the officer(s) involved.” William noted, as did Jill, that all board members do not participate on a regular basis: “I’ve got a fair number of people that I don’t necessarily know that well.”

As one of the two original members currently serving on the board of directors, William has the ability to compare the actions of the board over time. From his vantage point, the current board is more committed than the original board, which was formed out of necessity with little consideration given to membership:

The people who are on the board now, know what we are getting into. We have an established set of things we typically do . . . We know how this organization runs. We know how the kids get helped. We know the kinds of people we need to have there and the kinds of resources that we need to have available to make sure that the horses are in good shape, the kids are looked after and treated and etcetera, etcetera . . . The first one, we had people who were like, “hey, this is a neat idea. Yes, I’d like to get involved with it.” (William)

The board members of TSI consistently described a commitment to ensuring the operations and fundraising events of the organization were staffed and had the necessary resources. The characterization of the board as a working board of directors (as opposed to a board with a primary focus on governance) is evident from the statements below:

We are a hand’s on, working, practical board. We – everyone in the room has a certain work ethic and compatibility to what we do that makes us efficient to some degree.” (Robert)
I think a lot of work – I thought we had more of a working board, but we may not. It seems like every one of them roll their sleeves up. (Susan)

And our board members are not there in name only, we are a working board. And that to me – when you have board members who are so involved in the organization and the daily workings of the organization and with ensuring that the organization succeeds, to me, that says so much more than somebody who just got their name on the list for prestige or whatever. (Erin)

It’s – of the boards that I’ve been on, it’s been the most working board that I’ve been on in terms of board members actually pitching in and working. Having said that, I think it’s still – I think we’re pretty much feeling our way in terms of how it works, in terms of . . . My actual experience of TSI is at the end of the day it works because all of the individuals are committed to doing what they need to do when they are told to do it. (Tyler)

We are a very big time working board. Usually, for the fundraisers, we are there, we are doing it, and we are very involved in all of the activities. (Doug)

The board members consistently defined themselves as a working board as opposed to a governing board of directors, with a focus on supporting hands-on operations as opposed to establishing strictly policies, procedures, and guidance for the executive director to implement.

**Board member roles and responsibilities**

Board members’ perceptions of their roles and responsibilities as members of the governing board of directors for TSI were consistent with their self-identification as a working board of directors. However, individuals presented varying examples of their primary role as a
board member. The executive director, Jill, presented a very clear concept of her vision of the role of the board: “Money. Fundraising . . . . Either the board has to come up with some way to fund us for the rest of the year that’s just not included in that (grant writing).” In a perspective consistent with that of the executive director, Robert stated, “I believe funding . . . So, the only time that we provide viable input, in my opinion, is when we are coming to the table and saying, ‘look, this is how we are going to fund.’” While not clearly articulating it as her primary role as a board member, Sloan stated her preferred role: “That’s where I like to be – actually out doing the fundraising.” Tyler agreed raising money was the primary responsibility of the board:

In my opinion, to make money. To me that’s our purpose. Those of us that don’t really have a background in therapy in either an equestrian background or a therapeutic background, I think most of our reason for being there is to keep it viable. I mean, especially in this early stage, we are there trying to figure out how to make money so that we can keep the lights on, so that we can feed the horses, so that we can pay the therapists – not pay the therapists, that’s done through insurance. I would just say in order to keep us viable. That’s our purpose right now.

Self-identified roles and responsibilities were not consistent outside of the group who identified with fundraising and development. William was the one board member to relate directly to governance, stating, “I’m much better on the governing side. I’ll help sweep if you need me to, but I’m much better on the governing side. And some people really are much better on the working side as opposed to the governing side.”

While William directly identified with a governance role, Sloan and Erin described the role of governance in very general terms:
Um, it means to me, that you are the ones that are doing and making the decisions and doing the work that is required to make it successful – no matter what your organization is. I mean, if you are a Fortune 500 Company, that’s what your board is there for – is to do everything in the best interest of the organization or the company and for the employees or for your customers, clients or patients. (Sloan)

Yeah, for me, it’s our responsibility to the kids, to the organization to be sure that it continues to do what we want it do to . . . for me, if the organization failed, it would be us that failed it. It’s us that – It’s our responsibility. We have that obligation and responsibility to the kids to insure its success. And if something fails, it’s our fault. And we need to sit down and figure out how to fix it. (Erin)

More than one board member described role ambiguity while defining his or her role as a nonprofit board member. Robert stated, “You know, uh, I guess and it’s a self-reflective – I’d like to do more, I wish we could promote the organization and cause better than we do.” While Erin did identify with governance, she struggled to clearly articulate what this meant to her:

Well, it really, you know, the fundraising and making sure that the operation continues going – you know, making sure that we have the best personnel there that we can have, you know, and that all the kids needs are met – that’s basically what the board does. And, I don’t know what else we could do.

From a more personal perspective, Doug appeared uncertain as to his own role with the board of directors:

I don’t know about the other ones, but sometimes I feel like the low man on the totem pole. I don’t have the social connections that, say, some of the other ones
do. You know, I work at DHS, so I have a professional job, but I haven’t lived here all my life, but sometimes I’m the go-to, go do this person. I don’t know if the others feel this way or not.

Speaking in support of varying roles for different board members based upon their own individual strengths, Doug and Tyler agreed it was necessary for board members to participate in a variety of ways:

There’s some that are kind of “as needed.” Some of the horse specialists, and maybe that’s all they’re interested in. And that’s fine. I don’t think you have to have a board member that, you know, that contributes. I don’t need the guy that’s capable of hauling the horses back and forth to work on marketing because that’s not – it’s the whole “it takes a village” concept. (Tyler)

’Cause he’s [a member of the board] on the fairgrounds committee and all that kind of stuff. He doesn’t come as often, but he does bring resources for that. For TSI itself, he can help the resource like horses and feed – so he’s got other benefits that help in that way. . . and XX is kind of the same way. He kind of helps at the site, I think, during the day and stuff like that. The may do other stuff, not necessarily at the board. (Doug)

**Board member motivation**

The board members of TSI expressed motivations for board membership ranging from the emotional to the pragmatic.

Seeing what others had to go through just really tugged at my heart strings. I tried to volunteer a little bit over there, but I didn’t have time to get over and do it any
justice so that the next best thing was to do board work so that I could raise money and do this sort of thing. (Sloan)

I think this may be my contribution to and my involvement in this, may be in my 54 years, one of the most important things that I have ever done. One of the things that will have the most impact, whether it’s known that I’ve had anything to do with it or not, you know? And I think that’s the way most people look at it. (Erin)

Tyler connected his motivation with his previous experience working with children with developmental disabilities: “And I loved the work that they did [TSI], and I had some of that in my background as volunteer work when I was in college and graduate school working with handicapped kids.”

Doug’s motivation was also affiliated with children with developmental disabilities, but his connection involved his own daughter:

My daughter rides horses there, and right after we signed up, I was approached to be a board member . . . The parent part is the easy part. Just making sure that she is getting the benefits of the program and we are all on the same page. It benefits her so much, I’m all about her continuing with it. She wasn’t able to walk before. She can walk with assistance and becomes more alert. I just love the program . . . I think I was saying it was impressive that we had people there that weren’t necessarily invested in the program. Like, my motivation for being involved is to make sure the program continues so that Samantha can continue, as well as all of the other kids that she is friends with.
William, a professor of business at a local university, initially viewed his efforts with TSI as a benefit to his pursuit of tenure at the university:

I didn’t know everything that was going to happen about is and so, I thought “well, this is going to be a great service thing for me. I can get in, get some experience, see what it’s about. You know, help out and then I can always bow out in a couple of years if I need to and turn it over to somebody else. And not thinking I was going to be elected president of the thing. And not thinking that nobody else wanted it, so they just let me stay president, which is the way it is.

Motivation is personalized and each individual chooses to give of his or her time, energy and effort for a variety of reasons. The personality of the individual may not be excluded when exploring the personality of a board of directors of a nonprofit organization.

Members of the board of directors, in addition to describing personal motivations, expressed thoughts on the motivation of other individuals to serve. The common theme expressed by the board members of TSI indicated each individual joins because of an individual motivation but the motivation to serve may evolve over the period of service.

So, I think it depends on where your passions lie on what you need to or what you want to learn. And I think everyone on the board has something different that has brought them there. (Sloan)

And a lot of people may be drawn into it at first because they are horse people or they want to know more about horses or whatever, but then once they get there and they find out the real mission, you know, and the people whose lives it really affects, you know, I think that keeps them and makes them grow. We’re young, you know, we’re in our infancy really, and we have a lot to learn. (Erin)
You’re either touched because of you have a situation in your family or a friend who is challenged or benefits from therapeutic riding or you love horses and anything that you do with horses – because a lot of our volunteers will be kids who come out – they really just want to be around horses. They don’t want to be around – it’s not that they don’t want to be around riders – it’s the horses that’s attracting them. (Tyler)

Umm, I think everybody generally cares about the program and not all of them are invested in them – like I have a child in it. You know, [the executive director], that’s her passion. So, I think it’s awesome that we have these people in there that have a real reason to be there, other than they believe in the cause for it. And it seems that everybody has their different roles and how they support the board and the program . . . But, you know, some of them don’t really have any real connection to it, other than they want to be involved and want to help . . . I think it’s probably fascinating that they care enough to take time out of their lives to do something that they really don’t have any reason to do, other than, you know, it’s something they believe in. (Doug)

**Officers of the board**

Board members offered conflicting recollections of the officer structure at TSI. Indicating that not all of the officer positions had been filled, Jill remembered, “But we never had a secretary. We just had a president and a treasurer.” William, who has served with the board of directors as long and continuously as any other board member, had a different recollection: “At an early meeting, we had a president, vice president, secretary, and a treasurer.”
I specifically asked William, the only person to serve as president of the board, if he believed his tenure as the only organizational president was hindering the overall growth and development of the board of directors at TSI.

If I thought I was holding them back, that there were things that somebody else could do better, I would be out. I would immediately let them, you know, cycle this out, because December is coming up. And I will have completed – we first met in December of 2007, so it’s either five years or six. But, no, if I were holding them back, I would get out of the way. I think I lend help in that I’m willing to be part of the professional face – not that nobody else could be, but when [the executive director] needs a business-like face with her, I can show up and be there . . . It lends credibility to the organization. I’m willing to lend my name to help it out. I’m willing to help figure strategy out a little better.

(William)

Robert offered additional insight on William’s tenure as president:

He’s our only president. Yeah, we had – it’s like the church that I attend, it’s a small church. If you are ever elected as a superintendent or Sunday school teacher or whatever, you’re there. There’s just not enough rotation and that’s kind of the way our board is.

Upon my review of the organization’s bylaws (Equestrian Zone, 2010), it became apparent the board of directors did not understand its own governance structure. The bylaws indicated four officers comprise the membership of the Executive Committee: the president, vice-president, secretary and treasurer. There was no indication in any of the available corporate documents, board meeting minutes or board meeting agendas that TSI has ever had anyone serve
as the vice president. This could create a potential liability for the organization. The executive committee of TSI is granted, “... all powers and authority of the Board of Directors in the intervals between meetings of the Board of Directors, subject to the discretion and control of the Board of Directors” (Equestrian Zone, p. 3). The organization cannot legally establish a meeting of the executive committee given the bylaws by which it operates and the current structure of the officers of the board, which does not include a vice president.

**Board member nonparticipation**

Board member participation in the governance of TSI, or a lack thereof, emerged from both participant interviews and a review of organizational documents. The executive director of TSI, Jill, expressed an expectation that not all of the board members would be participatory:

> That you have to have a balance. I think if I were going for a balance, I would say like 80/20. 80% of your board needs to be people that participate, are hardworking, come to meetings, help set policy, help you with strategic planning, help you move forward. But then there could be that 20%.

She indicated the board intentionally and knowingly added an individual to the board the majority knew would not be an active member but who apparently added value to the organization by affiliation: “And the other board member, I was told shortly after he joined our board that he joined because he wanted his name on it. And as a board, we all decided that was ok, because sometimes you need people for name recognition.” As it turned out with this particular board member, the tangible or intangible value never materialized:

> I think, at the time we added this person I was referring to, I since learned later, that it was not advantageous to have that individual. Since then, they are not on our board anymore, because they finished their term and they didn’t even respond
when we sent them a letter to say “would you like to continue to be on the board?” They didn’t respond. So they came off because their term was over. And so I think you have to have the right individual. This person was very connected in the horse world, and we thought as a board “oh, yeah, this person will be great because the people from the horse world will respect him and they’ll get, you know.” But we didn’t see any benefits.

William agreed it was at times necessary to add individuals to the board of directors who may not be participatory from a governance standpoint for potential value added, but he also expressed reservations with the practice.

There’s, you know, if you make that choice – I think it’s a poor choice, but I understand the choice. It’s the same reason that you hope you can get somebody to give money to name the building. You hope that the name conveys something and that you are getting something out of the fact you named it . . . Do I think it’s a great thing? No. Because that person typically – you – I don’t know from my personal experience, but I’m guessing, you’re not going to get as much as you thought you were going to get.

Tyler described a similar experience on a separate nonprofit board on which he served. In the situation he described, it appears representation on the board was a benefit of tangible giving to the organization:

I knew we at the art center have people who never, ever would come to a board meeting. And people would say, “Why do we even have them on the board?” Well, it’s because their company sponsors us to the tune of $5000 every year, so
I’m happy to give them a board member status and seat because they are really supporting us financially. In that situation, like I said, if it works.

Each organization must carefully consider how it offers seats on its governing body as governance is the primary function. In the case of TSI, formal board member expectations are very low. Jill described the rationale for the low expectations:

Because our bylaws only state that you have to come twice a year. That’s the absolute minimum. . . . I think the reason we had to come up with that – or we thought we needed to come up with that, because we were so desperate to get some people on board. And then, you know, you get that fear of if you make them commit to more than that, they will resign and then you will lose them. But do you – what’s the better?

William reiterated the minimum requirements for participation on the board of directors, but then acknowledged, as president of the organization, he had a limited understanding of his own board of directors: “I don’t know how many people have continued to actually be a part of the board. I know that you had to come to at least a couple of meetings a year to be on there . . . And really, I don’t know how many people are officially on the board.”

Presenting a different viewpoint from that of the executive director and the board president, Doug had higher expectations of his peers:

Yeah. They’re never there. I know their jobs or families influence and the time that the meeting is, but it seems to me if you volunteer to be on the board, that you should be on the board. Just not showing up once or twice a year . . . where they say “I’ve never met this person.” Or, I think that’s our newest member, but I’ve never seen her.” . . . I think they should be there more often. Especially since we
need so much to get going and trying to get everything on stable grounds. Then again, you have people that don’t have the connection like I do – the investment-so I don’t know if it’s fair to push them. I don’t know if you understand.

The low attendance expectation identified in both the bylaws and the interviews with board members resulted in a wide range of personal expectations, frustrations and a general lack of knowledge of the organization’s activities. Erin noted a core of board members upon whom the organization could rely and the necessity for participation:

But, yeah, it’s a pretty consistent core that’s always there. But, there are several members that, though they may not be there, they contribute in a lot of other ways. And, like I said, it’s not just a name only thing. If we need you, you’ve got to be there. If we need you to do this, this and this, you’ve got to be there.

But Erin also stated her own participation had waned and that she had informed the board her participation would be low for at least the upcoming year: “I used to be one of those [active members] until I started this degree again this last fall. And it will be that way until I am done with it next December.” Sloan described her lack of knowledge of the organization’s activities due to her own nonparticipation:

I’m not one of those, I’ve got so much other with the real estate. I don’t have time to get out there and do that, but I work all of the events and you know, do that sort of thing. I just know that I’ll show up somewhere and there’ll be something for TSI and I’ll be like “I didn’t even know we were even going to be doing that. That was a good idea.”
Tyler and Erin described an environment where flexibility in attendance and participation in organizational governance and public functions were not expected by the other members of the governing body:

And as busy as people get, like with me with this degree that I’m getting now. It has taken a lot of my actual physical involvement, you know, being there away. And they understand that. And they also know when push comes to shove, if they need me there, I’m going to crowd out and make time for it. We give and take with one other that way. (Erin)

Well, I think because of the communication that we have right now with each other, I think that works for us right now. As we grow, it may change, you know? But for right now, it’s what works. And like I said, with the communication that we have, we generally know the direction that everyone wants to go . . . So, whether we are there physically or not, sort of like a representative democracy. . .

I trust the other members of the board. (Tyler)

The environment described is one of little expectation of consistent participation in governing and supporting activities. Board members met the expected standard if they attended at least the two board meetings in a twelve-month period.

Not all of the board members of TSI expressed satisfaction with the current paradigm. In expressing his frustration, Robert stated, “One of my real challenges was the absenteeism of some of the board members.” Doug was the most outspoken of all the board members in discussing the lack of participation on the part of his peers and how he perceived its impact on the organization:
I would think the productivity does suffer, because you don’t have enough people bringing in their energy and their opportunity for us to grow. It’s like they are there in name only. You get the select few that always participate and there’s not the new ideas or the new flow. You kind of get in a stalemate because you get the same few people running the show. I think that messes it up a little bit . . . Yeah, like right now because it’s so small, everyone just goes along with the program. But if it did get bigger and you started making these big decisions, I would think it would cause a problem. To me, there should be more support there from those families instead of just the same six board members showing up for the Business Expo and out at the Party and the Park and Octoberfest. It will be the same people out there almost every time.

I would think it’s the participation because you can’t do the strategy if you don’t have enough people to put in place. If you have the same three or four people showing up every time, how are they supposed to do it all? And if you had people who showed up all the time or was willing to put in a little more effort – except for just the barbeque, most of the time, everyone shows up for that – and I know they do other stuff that I probably don’t know about. But if you had them all there and then put the strategy in place everybody might have a clearer view of what they are supposed to do and how they can help.

I observed an example of board member nonparticipation during TSI’s September 20, 2012 board meeting (J. Aulgur, field notes, September 20, 2012). The meeting occurred on the standing date of the third Thursday of the month at 5:30 p.m. at a local bank branch. The bank is located in the center of town and is easily accessible. According to the board minutes, board
meetings occurred at this location as early as 2009. At 5:30 p.m. on September 20, 2012, only
the executive director and two board members of an eleven person membership attended. This
did not meet the requirements for a quorum, even with the organizational low threshold quorum
requirement of 20% of the active board membership. The only agenda item requiring board
action was the approval of the July 19, 2012 board minutes. This action was deferred. The
board’s next formal meeting was scheduled for January 2013. The board intended to meet at a
Chik-Fil-A restaurant during a fundraiser for TSI. The organization does not conduct board
meetings in December of each year unless a need is determined by the board of directors.
Pending the October 2012 board meeting, the possibility existed that TSI would not conduct a
viable board meeting between July 2012 and January 2013.

**Board meeting quorums**

In describing the history of achieving a quorum at TSI board meetings, Jill, the executive
director, stated, “In our history, we’ve only had one meeting, two meetings where we didn’t have
a quorum – in the entire history.” William described an occasion during this research effort when
the board did not achieve a quorum:

Last month we did not, but it was also one of those nights where we had a huge
rain, rain showers, and we didn’t have much business going on anyway. So three
of us met and talked about a few things. We couldn’t make decisions, but we
talked about a few things.

Robert questioned the relevance of non-participatory board members:

So, it’s not, when our bylaws allow your attendance is only mandatory for, I think
three board meetings, I believe . . . But anyway, some of the other board
members, they haven’t – their time to show is primarily at funding events, and they do a great job, but I don’t know their relevance on a monthly basis.

Robert’s assertion that board members are expected to attend a minimum of three meetings per year is validated by the organization’s bylaws (Equestrian Zone, 2010).

The executive director’s observation that the board of directors failed to constitute a quorum only twice over the history of the organization is not factually in dispute. However, the bylaws of TSI (Equestrian Zone, 2010) indicate a quorum is established when at least 20 percent of the membership is present. Three board members are required to be present at a board meeting in order to transact business or make and pass motions. With a current board membership of eleven individuals, three board members have the capacity to legally obligate the entire board of directors and the organization.

Role of the Executive Director

Executive director value

The executive director of TSI is not only the managing entity of the organization, but is also the primary direct provider of therapy to service recipients and the co-founder of the organization. Her value to the organization is clearly articulated by the board of directors; members of the board consistently described her commitment to TSI and the passion she has for the delivery of hippotherapy to children with developmental disabilities. Jill did not bring significant non-profit experience with her when she established the organization. Robert described his perception of Jill’s leadership:

Her strength is the treatment and therapy and the organization skills at the barn.

Her learning the part that she’s learning about is the board and the business part of it. So that marriage has given us a real pliable and flexible board setting. It is
kind of unique . . . She may be, you know, I’m trying to stay away from the work weakness, but, maybe the least experienced part of her leadership is the business and the funding and the salaries and should we do this, should we hire a CPA that will audit us so that we can apply for more grants?

Sloan reiterated Jill’s foundation as an expert in hippotherapy, but also her developing role as the clear leader of TSI from the nonprofit perspective:

And the knowledge is there, too. I mean, it’s specialized knowledge. Not just anybody can do what she’s doing. If you haven’t gone to school particularly for that – most people don’t even know what hippotherapy is . . . There’s nobody on the board but her that would know how all that works. And so, yeah, you know, ten of them off the board decided to go and do something else, she’d get ten more workers or accountants or whatever or lawyers or any other profession she needs on the board. She can find it.

I asked Susan, TSI’s co-founder and benefactor, to discuss the potential impact on operations if Jill decided to leave the organization as the executive director.

I don’t – it would be really hard to – it would be really hard to go on without [the executive director], but honestly, we would probably need to get in a position where we could function without her . . . I’m sitting with the credentials where I could step up on an interim basis.

Susan is a licensed therapist and the owner of the Recovery Zone, which is the contracted provider of therapy services for TSI. Susan obtained the required basic hippotherapy credential in case she had to provide the direct therapy and sustain the organization in the interim if Jill ever
chose to leave TSI. She also addressed the repercussions for the board of directors if Jill departed:

I think they are very dependent on [the executive director] – her knowledge. I think she’s – I think she does a great job of keeping them as educated as she can. But I think the whole organization is completely reliant on [the executive director]. She’s kind of the keystone. And if she moved somewhere, I’m not sure – I would try my hardest to step in, but I think the board would probably look to me to try to keep it going.

The board members concurred with Susan that the loss of Jill as the executive director would be a definite setback to the organization. Jill’s personal commitment is unquestioned by the board of directors. Erin elaborated on Jill’s commitment and her personal value to TSI:

I mean, up until – [the executive director] never even took any kind of stipend or anything up until last year. She did everything for nothing, and that’s a huge amount of work . . . I know that a great deal of her time – her personal time – has gone into this with no compensations whatsoever. So, to me that’s a huge dedication. . . She is key. She is, I think, key to the whole program. It would be a blow – very difficult – to continue the program, I think, without her there.

Because of her dedication to it. She does a lot. A lot. And I don’t think some people realize how much there is to running a program like this, you know. And how much work it is.

Other members of the board supported Erin’s assessment of Jill’s value and reiterated how difficult it would be to replace her in any capacity.
And I’m going to tell you that if we lost [the executive director], the organization is gone. Even though there are legal things and whatever—seriously, the heart would go out . . . And the rest of us as a board don’t, so we would be lost how to figure out how things are supposed to go. (William)

But if something happened to her and she wasn’t able to participate, it would probably be difficult, because she does control the finances and she does the grant – she’s got a major part of the whole business just in her pocket. It would be very difficult because she does 80% of it, if not more . . . She can probably get along without us. We all have our purposes to help her, but I imagine she could do it without us if she wanted to. (Doug)

To be honest, I would not, myself as a parent, I would not want an executive director that is just coming at it from the business end. I don’t want it. I want somebody like [the current executive director] who understands our kids and the importance of everything to us, you know? I don’t see any advantage of just having somebody who’s coming at it from a business-minded point of view. (Erin)

**Executive director / board of directors relationship**

The relationship between the executive director and the board of directors is the heart of governance in the nonprofit organization, regardless of the theory, model or paradigm of governance employed by the organization. Jill described the board’s reliance on her knowledge: “I think that they just oversee . . . Because most of the time, if it’s something that I feel really passionate about, then they are going to say ‘well, you are there every day, so, we are going to go with your recommendation.’”
However, the board also recognized Jill’s strength lies first in the provision of therapy to individuals with developmental disabilities and not necessarily in business operations. The board described her willingness to seek out their counsel when necessary:

I think she [the executive director] wants to do it right. Some of it, she doesn’t have that expertise – like the business or financial. A lot of that stuff is not her forte, so she has some people around her that can help her with that. (Doug)

If there is anything that had to do with money or a new procedure or a new hire or anything like that had to happen, she would come to us. She wouldn’t just go out and do it on her own. . . She brings stuff to us and then we talk about it. (William)

And even if it is something that she [the executive director] doesn’t like, I’ve noticed that she will bring it to us. . . But she will bring in every kind of idea that she thinks is good and most likely if the board don’t like it, they won’t do it. I think she trusts her board and I think she tries to be as forthcoming with everything as she can be, which is good for me. I like it that way. (Sloan)

And overall, she probably leans on the board for the quote “business decisions.” So, she’s never come in a board meeting with a demanding – so it’s worked really well. (Robert)

To develop a concept of the executive director-board relationship, I asked the members of the board if Jill, as the executive director, was the driving force behind the success of TSI. The board consistently identified Jill’s leadership as the catalyst for the organization:

I think it goes both ways, because she comes to us for advice on a lot of things. And there have been times where we haven’t always agreed on, you know, what should be done at the time and [the executive director] always, has always yielded
to what we decide. I think it goes both ways. We have a great deal of respect for her and what she thinks and what she understand and her suggestions, but when it comes down to it as a board, we are the ones who have to make those decisions, you know? . . . And she listens to us and what we have to say. And she’s always respectful of our decisions. (Erin)

I think, I definitely say that [the executive director] is the driving force. I think, I think the commitment is there on the board’s side to match her enthusiasm and match her passion. I really have thought about that, and thought about what if [the executive director] all of a sudden was out of the equation. I don’t know if – I think as a group we match her enthusiasm and we match her commitment. I choose that word specifically – we match it rather than – match meaning she’s there first and we rise to her level of enthusiasm and commitment, I think. I have asked myself questions like that – if [the executive director] was not involved, would I still be involved? Or at what point do I think my work will be done? (Tyler)

. . . She’ll ask the board for direction but she is the main decision maker. I don’t know – if you had someone that was as dedicated to TSI as she was, we probably could, but right now, everyone there is not as invested as she is, so I don’t think.

It will probably hurt if she wasn’t on the executive board. (Doug)

The unusual arrangement in the day-to-day management of TSI provides a viable paradigm for the organization at this point in time. Jill is not employed full-time as the executive director but rather as the primary provider of hippotherapy through the Recovery Zone, the for-
profit company which is contracted with TSI to provide direct therapies. Her role as the executive director is distinctly separate from her duty as a therapist.

Yet it is this very dynamic paradigm, combined with Jill’s tangible and intangible talents, which the board described as critical for continued success and growth as a nonprofit organization. Sloan described the relationship between the board and the executive director in endearing terms:

Everybody on the board treats her like a sister or a very best friend. They all trust her. They know that she knows what she is doing. They’ve got confidence in her. I’ve not ever even in public heard a negative comment.

Sloan continued, “I think to me I look at it like the sister I’m wanting to help with her project.”

Erin described how Jill’s role as a therapist is an asset:

. . . because she is an exceptional therapist and she knows ways of dealing with kids and getting through to kids that other therapists don’t understand. In order for our therapists to be doing what she’s doing or her supervising that, I think that’s important that she’s watching everything that the therapists are doing and can mentor those therapists.

The board clearly recognizes the importance and value of Jill as the organization’s executive director, but it must consider how long it is feasible for her to maintain a dual-role status as the organization continues to grow and enjoy success. The possibility of a full-time executive director for TSI is not financially feasible at this point in time, but it is a strategic initiative the board of directors has considered. William, the president of the board, summarized:

We’d love to hire her with a nice full-time salary. That’s what she wanted to be able to be able to do. She likes what she’s doing with her other place, but she’d
love to run this thing full-time and have that be what she does. And she can’t. We’re not self-sustaining enough. We’re not large enough now to be able to do that.

Susan, as the owner of the Recovery Zone and as TSI’s benefactor, recognized the organization does not have the current capacity to employ a full-time executive director. She did acknowledge Jill has explored what is strategically necessary for growth:

She’s done quite a bit of research in hippotherapy budgets and arenas of the size she’s thinking we are going to grow to, and those kinds of budgets can’t operate for-profit. They have to be non-profit. They have to be sustained by federal grants or they can’t run.

Jill has remained very humble and has clearly indicated she only has in mind the best interests of TSI and the individuals with developmental disabilities it serves:

I mean, if I do anything, it will be moving more towards doing more at TSI and less here, you know? That would be my only – at first, I did not want to be the director of Recovery Zone. I just – that was my lifelong dream to do equestrian therapy and I really thought it would be 20 years. My 20 year plan was to have a nonprofit and do equestrian therapy in (name of town).

Giver her expressed affection for the organization and the services provided, Jill, somewhat remarkably, acknowledged she would adjust or abdicate her role if such a decision was in the best interest of TSI:

And so in that learning in all of that, I learned that no one’s irreplaceable and someone else could do my job. So, if there came a point where there was someone who was a better fit to make the organization go where it needed to go, I
would be ok with just doing therapy. If it were someone – whether a shared role with me or they could take it where they were a master grant writer and that would by their primary. Oh yeah, I would say yes.

**Chapter Summary**

This chapter presented the four major themes of this research through an evaluation of the data collected through extensive personal interviews, organizational documents, media materials and my personal observations as the researcher. As is the case with many qualitative research efforts, this chapter relies heavily upon the personal voices of the participants as they described their experiences related to the governance and operations of TSI. At the completion of the coding process and reviewing the data collected from supporting documents and observations, I developed a tentative set of categories. The names I assigned to each of the categories emerged from my coding. The names assigned to each category were heavily influenced by my anecdotal knowledge of the nonprofit sector as a professional and practitioner, as well as my review of the academic and normative literature. The final themes and the categories assigned to each theme (in the order presented) are:

**Embryonic Organizational Structure**

- Mission
- Governance
- Credibility
- Sustainability
- Advisory board

**Board of Directors Knowledge and Experience**

- Initial board formation and recruitment
• Orientation and training
• Board member development
• Prior nonprofit experience
• Board member liability

**Board Member Self-Perception and Characterization**

• Board member roles and responsibilities
• Officers of the board
• Board member nonparticipation
• Board meeting quorums

In Chapter 5, I will link each theme to the original research questions, the findings and literature. Recommendations for practice and future research are also addressed. Finally, I describe the impact and influence of this research effort on myself as the researcher.
CHAPTER FIVE
INTERPRETATIONS AND RECOMMENDATIONS

The purpose of this case study is to examine the gap between the expectations of board performance by the senior leadership and the governing board’s self-perception of its role in the governance of the nonprofit organization, as well as the impact of a gap on organizational effectiveness. The primary research question is: Is an analysis of the gap between governance expectations and the board members’ self-perception of their own governance performance an effective methodology for enhancing the efficacy of the governing board of directors? The specific questions guiding the study are:

1. How do the members of the board of directors perceive their role as the governing body in governance and operations?

2. How do the members of the board of directors perceive the role of the chief executive officer/executive director of the organization?

3. Can the members of a board of directors evaluate their role and performance in utilizing components of The Balanced Scorecard?

4. How can the results of a gap analysis delivered through process consulting improve the performance of the governing board of directors of this nonprofit organization?

Beyond the research questions is the significance of the findings of the study and how the findings may be relevant to the field of nonprofit governance, i.e., what will emerge from the findings that are suggestive of future inquiry?

This chapter will discuss four themes arising from the research findings:

1. The challenges of the embryonic nonprofit organization.

2. Governance efficacy is influenced by board member experience.


4. The role of the executive director in the embryonic nonprofit organization.
This chapter will link each theme to the original research questions, the findings, and the literature. Recommendations for practice and future research are at the end of the chapter.

Theme 1: The Challenges of the Embryonic Nonprofit Organization

There is no definitive answer to the question of what constitutes an embryonic nonprofit organization in the normative or academic literature. Embryonic status may be defined by certain measurable milestones, such as achieving nonprofit status as recognized by the Internal Revenue Service, the publication of an annual report, or receiving an external financial audit. However, none of these milestones speaks to the growth and development of an organization’s board of directors and the ability of that board to effectively govern. To deem an organization “embryonic” is a subjective interpretation. I have labeled TSI an embryonic nonprofit organization based on my knowledge of the normative and academic literature on nonprofit governance, combined with my personal experience as a nonprofit practitioner and professional employee over a 20 year period. The president of the board, William, expressed a similar perspective when he indicated that five years after the organization’s founding, he believed it to just be getting off the ground as an operational entity.

TSI board members’ perception of governance.

The findings indicate there is no consensus about the meaning of nonprofit governance among the board of directors of TSI. This lack of consensus in an embryonic nonprofit organization directly relates to the board of directors’ perception of their role in governance and operations. There is limited research on the key roles expected of nonprofit board members; these limited findings suggest a wide range of felt roles and responsibilities among board members and their organizations’ management (Stone & Ostrower, 2007; Liu, 2011). A board member’s perception of effectiveness is related to role ambiguity, which is measured by how
well a board member understands what he or she is supposed to do, as well as the relationship of these actions to organizational goals (Doherty & Hoye, 2011). However, it is not unusual for board members to experience role ambiguity within the same organization (Liu, 2010). The emergent theme from the findings is the consistent self-characterization of the members of the board as a “working board,” as opposed to a “governing board.” The focus of this board of directors is on actions that ensure short-term fiscal viability and provide the support required to continue operations. The role adopted by the governing board of TSI is not that different from what O’Regan and Oster (2005) described as the three W’s of nonprofit board members: “wealth (donations and fundraising), wisdom (monitoring and oversight), and work (operational duties)” (p. 207). Jill, the executive director, indicated the dominant theme of most board meetings was informative and not decision-making. She acknowledged that her perception of the governance function of the board of directors may be entirely different from that of the board members themselves. In comparison, executive directors have identified the following as critical to board member effectiveness: fund development, financial oversight, public relations, commitment and engagement, policy development, and monitoring the performance of the executive director (Brown & Guo, 2010).

**Establishing credibility and pursuing sustainability.**

Credibility is critical to the sustainability of an embryonic nonprofit organization reliant upon fundraising and the goodwill of the community. TSI relies on fee-for-service billing, primarily through the Arkansas Medicaid program, for substantive financial support. However, this revenue is not sufficient to provide for growth and program enhancement. The board of TSI sees financial management and oversight as one of its primary governance functions, evidenced by the decision to pursue an independent financial audit despite its substantial cost to the
organization. In fact, board members debated as to whether an audit was more important to the organization than the need to purchase feed for the horses. An independent audit was eventually deemed a necessity for two reasons: to establish external credibility and to become eligible for local United Way funding.

Sustainability is a function of the combined effectiveness of organizational governance and professional leadership. Financial sustainability is the end result, but the organization must first articulate its own needs. Clearly, identifying needs allows the estimate of an accurate monetary cost which can then drive budgetary, planning, and fundraising efforts. A consensus of need between the governing board and the executive director was not apparent; identified needs included a covered arena to enhance therapy services, regular cash flow, organizational awareness in the local community, and strategic planning. The findings indicate that the board of directors and the executive director did not have sufficient knowledge of base operational expenditures. One discussion centered on the cost to sponsor a single year of therapy provided by TSI for a child, estimating the cost at $250 per year, while the actual cost was closer to $1,000. A nonprofit organization will likely remain embryonic if it experiences a chronic lack of consistent, reliable funding for mission delivery; sustainability in this embryonic nonprofit organization will remain a critical challenge if the leadership cannot articulate the most fundamental costs of service delivery.

The presence and influence of a non-governing advisory board.

From my perspective, it is not unusual for a nonprofit organization to have an advisory board that provides specific insight and mentorship to the executive leadership. The advisory boards I have encountered during my nonprofit career were not governing in nature and the guidance provided to the leadership was not binding. Such examples of advisory boards include
adults with developmental disabilities who reside in a residential program of a developmental
disability provider agency, and selected members of an arts community who provide guidance to
a museum about pieces it should consider acquiring to enhance its collection.

The advisory board I encountered at TSI is different from any other than I have
experienced, and it appears to have been created solely to provide a voice for the organization’s
primary benefactor, Susan, who is a founder of the organization along with Jill, the executive
director, and her husband, Kerry. The relationship between TSI, the Advisory Board, and the
executive director is complicated: in addition to the benefactor relationship with TSI, Susan is
the primary employer of the executive director outside of her role with TSI. Susan owns and
operates a therapy clinic in the same town in which TSI is located, where Jill is employed as a
therapist. TSI contracts with Susan’s therapy clinic to provide the hippotherapy delivered at the
arena and to invoice the Arkansas Medicaid program for reimbursement. Susan and Kerry
provide over ten acres of land, a barn, farm implements, and continual operational support to TSI
on property adjacent to their home.

The advisory board for TSI, while unusual in its structure and membership, exists for a
specific purpose. Susan is aware of a potential conflict of interest, whether real or perceived, due
to her multiple connections to the organization. She indicated in interviews that her therapy
clinic earns little revenue by providing hippotherapy services to TSI. She said that it would not
be proper for her to serve on the governing board of directors; she did not want to be seen as
expecting to have influence due to her and her husband’s generosity. The executive director
indicated the only communication she has with Susan and Kerry regarding TSI is about the
property and the use of equipment. Jill noted that Susan and Kerry attend the annual fundraiser
as guests; otherwise, they do not communicate directly with the members of the governing board.
Organizational reliance upon a single benefactor.

The reliance of TSI on a single donor for the delivery of day-to-day operations raises questions about sustainability and survivability. I asked board members if this reliance presented a risk to the organization. The consensus among the board members was that risk does exist due to: their lack of knowledge of any legal agreement between TSI and the benefactors; potential financial hardships to the benefactors which may alter the current arrangement; or a disagreement between the involved parties.

The significant dependency of TSI on the generosity of a single benefactor presented a concept I had not previously considered: did this reliance upon a single donor restrict the growth and development of the organization? The president of the board, William, did not think this relationship limited the organization in any way; he believed the organization is in fact limited by its own lack of additional resources. The executive director, Jill, indicated restrictions existed; she acknowledged that Susan and Kerry have been available in the past to meet short-term financial needs when cash flow presented a problem. I posed the same question to Susan: did she believe her generosity was creating a dependency of the leadership of TSI on her, thereby restricting its development and growth? She replied she had not thought of the financial support relationship in the context of enabling TSI, stating that she was not certain if her generosity was or was not enabling, but she was certain the organization was not yet financially stable and its long-term sustainability was not assured.

Evidence of resource dependency theory governance.

A major theory of organizational management is resource dependency theory, which states that the board of directors’ primary function is to connect the organization to the sources essential to its survival and its success by providing board capital, for example, financial
resources, potential benefactors, advice, council, and so on (Brown, 2005). This theory also acknowledges the board of directors’ ability to maximize external connections through the leveraging of personal and professional relationships which, in turn, enhance the organization’s reputation as well as expand the donor base (Miller-Millesen, 2003; Kreutzer, 2009; Mwenja & Lewis, 2009). TSI has demonstrated recent success in leveraging personal and professional relationships. On March 16, 2013, a benefit featuring Ryan Mallett, University of Arkansas alumnus and quarterback for the New England Patriots of the National Football League (NFL), was held at the local high school football field. Mallett is related to a recipient of services of TSI, and a member of the board of directors was able to facilitate his appearance. This local opportunity to meet an NFL quarterback raised $2,900 for the organization in a single afternoon (personal communication, March 21, 2013).

**Strategic planning and the Balanced Scorecard**

Strategic planning is essentially nonexistent within the confines of TSI. The findings clearly indicate that not only do the TSI board of directors and executive director not engage in any formalized strategic planning, but that the organization also continues to operate without any evidence of a business plan. High-performing nonprofit boards have self-identified their responsibility for strategic planning as implementing a strategic planning process and creating mechanisms to address issues arising outside of the formal strategic planning process (Jansen et al., 2006). Board members consistently expressed the need for organizational strategic planning for future sustainability and growth but admitted that day-to-day operational survivability was their priority. The need to fundraise in the short-term outweighed the desire to do long-term planning. The governing board, in its current membership paradigm, does not have the
experience in nonprofit governance to make the critical connection between strategic planning and long-term sustainability.

The Balanced Scorecard has proved successful as a strategic planning method, in part due to its ability to align intangible assets to strategy and to not improve one domain at the expense of another (Kaplan & Norton, 2004b; Ronchetti, 2006). It may be effectively deployed by nonprofit organizations as a strategic planning tool with a focus on organizationally-defined outcomes and metrics to gauge organizational effectiveness. Metrics must be created to measure outcomes the organization desires rather than using existing measurements and metrics (Zimmerman, 2004). Potential restrictions to a nonprofit corporation’s implementation of the Balanced Scorecard as a strategic planning and effectiveness measurement source include: a multi-year commitment; managers inexperienced with measurement programs and metrics; and a lack of resource commitment (Ronchetti, 2006; Zimmerman). Successful outcomes are unlikely if the Balanced Scorecard is implemented without leadership understanding of what it is supposed to accomplish, or if the complexity of the Balanced Scorecard is underestimated (Zimmerman).

My experience indicates TSI is not a viable candidate for a comprehensive deployment of the Balanced Scorecard as a strategic planning process. My experiential perspective is that, due to TSI’s limited size, constrained tangible and intangible resources, and commitment to mission achievement over a commitment to more effective operations, a very small percentage of nonprofits in the United States could effectively deploy the Balanced Scorecard in its entirety. This does not mean, however, that components of the Balanced Scorecard cannot be utilized in a limited manner to enhance the efficacy of the nonprofit organization. The internal processes domain of the Balanced Scorecard, including innovations to deliver new products and services,
identifying which internal business processes must operate with excellence to satisfy stakeholder expectations and deliver the desired value to all stakeholders in the organization (Kaplan, 2001; Niven, 2005; Ronchetti, 2006). More specifically, TSI may benefit from the development of a strategy map as utilized in the Balanced Scorecard process. The strategy map, a one page visual tool, integrates the four domains of the Balanced Scorecard in an attempt to connect the cause-and-effect relationships between the domains. These relationships identify links between intangible assets and value creation and indicate where an organization should deploy its assets for maximum impact (Kaplan & Norton, 2004a).

The internal processes domain of the Balanced Scorecard may be selectively deployed to the benefit of TSI in relation to its embryonic status. One relevant process identified by Niven (2008) is working more efficiently. One of the traditional traps of attempting to improve efficiency is trying to address too many domains at one time, resulting in an overall lack of progress and/or mediocre results. Based upon interviews, observations and a review of organizational documents, it seems clear that an opportunity for significant improvement for governance exists at TSI. Board meetings are sporadically attended, which restricts board member knowledge of organizational operations and initiatives. In accordance with the organization’s bylaws, only 20% of the current board membership must be present for a quorum to be established; that standard has allowed business to be conducted on behalf of the board of directors with the presence of as few as three board members. Board members are required to attend a minimum of two board meetings per year. Two board officer positions, president and treasurer, have been held by the same two individuals since the organization’s inception over five years ago. The position of vice president has never been filled.
Conclusions: Embryonic board versus established board.

The governing board of TSI remains embryonic and developmental six years after its inception. The dominant self-perception of the board of directors is that their value as a governing entity is found in their willingness to work hands-on in whatever volunteer roles are necessary to sustain the organization. The role of organizational governance is secondary to this self-characterization as a working board. This lack of focus on formal governance has resulted in a governing structure with minimal development even as the organization itself continues to enjoy success. TSI’s embryonic state is reflected by a minimal attendance requirement of board members, a very low threshold for establishing a quorum, a lack of rotation in officers of the board, and minimal vetting of potential new members of the board of directors. The orientation and training offered and provided to new board members is so insignificant that it could be classified as non-existent. Little evidence exists of informal or formal strategic planning efforts on the parts of either the executive director or the board of directors. A complete deployment of the Balanced Scorecard, considering its complexity and the required commitment, is not feasible for TSI. However, a restrictive or selective utilization of individual domains may prove beneficial to the organization. The Learning and Growth domain may be used to identify the specific professional development needs of the board of directors and the executive director in nonprofit governance. The Internal Business Processes domain may be deployed to examine the current governance structure, in practice and in TSI’s governing articles of incorporation and bylaws, and to implement systemic change to improve the governance function.
Theme 2: Governance Efficacy is influenced by Board Member Experience

Formation of the charter board of directors.

TSI has very little nonprofit experience between the board of directors, the executive director, and the benefactor, combined. Jill, the executive director, and Susan, the primary benefactor, determined that a nonprofit organization would best suit their vision for an entity providing hippotherapy to children having special needs. Individuals who are members of a nonprofit board of directors are the organization’s ambassadors, advocates, and community representatives who serve as stewards of the public trust by exercising a legal and fiduciary responsibility and ensuring that governance functions are carried out responsibly (Cornforth, 2011; Kendall, 2009; Wolf, 1999). Nonprofit directors in the United States are, with few exceptions, unpaid volunteers with a commitment to the organization mission. Participation as a nonprofit board member is often based upon an emotional connection to the organization’s mission (McCambridge, 2004). Jill and Susan determined they needed the following skills on the board of directors: a financial mind, a parent, a grant writer, individuals with equine experience, a fundraiser, and influential members of the community. Jill described the recruitment process as an attempt to identify people outside of her immediate friends and family members who may be interested in serving. Two charter members remain on the board: William, a professor of business at a local university, and Robert, a local banker. They have served as president and treasurer, respectively, throughout the organization’s existence.

The continuous recruitment of potential members of the board of directors.

TSI has experienced a continuous need to replace board members who either completed their term of service or who became non-participants in the governing process. An increase in the number of nonprofit organizations in the United States has enhanced the difficulty of
recruiting board members to an organization; up to ninety percent of nonprofit boards have experienced difficulty in recruiting (Ostrower, 2007). From the organization’s website and interviews, it is apparent TSI does not have a defined process for selection of potential members of the board; in fact, the organization seems desperate to attract new volunteers willing to serve in the governance role. An open invitation to serve on the board of directors is continually present on TSI’s webpage. Continuously announcing the need for additional board members creates two potential problems: the perception that the organization cannot sustain board membership, and the difficulty of denying board membership to any willing individual. According to the organization’s bylaws, the vetting of potential new board members is simplistic: nominations are accepted from board members two weeks prior to the subsequent board meeting and nominations will be voted on at that time.

The selection of board members may become a haphazard process without a standardized method for identifying and recruiting new members to the governing board. William indicated a need for representation from the public relations field and construction, but conceded that representation from the construction field was not likely due to a perceived lack of time. Legal representation was mentioned by Doug, but he then stated an attorney would not benefit the organization other than as a community representative. In separate statements, William and Tyler reduced the recruitment of new board members to TSI as a desperate exercise: can someone be seduced into being on the board, and can they meet on Thursday at 6:00 p.m.?

The findings suggest that the current board of directors relies upon Jill’s guidance, as the executive director, to recommend potential members. Jill identified the professions and affiliations she believed should be represented: a pediatrician, individuals associated with the equine field, financial services, and healthcare professionals other than physical and occupational
therapists. She stated that the need for a pediatrician on the board of directors was not for medical guidance or governance; rather, the pediatrician would serve the marketing need. From Jill’s perspective, board member recruitment centers on credibility and value added to the organization. TSI does not have a strategic process to recruit, develop, and retain new board members. The lack of strategic recruitment, or any form of identification process, hinders the strength and diversity of the board of directors.

William Brown (2007) delineated three distinct steps to seeking new board members:

- the skills and competencies the board needs must be identified;
- the board recruits and attracts a pool of potential candidates; and
- the board conducts the selection process.

Nonprofit organizations must evaluate for the competencies desired by the board of directors and identify gaps in the board competency matrix when seeking new members (Balduck et al., 2009; Daily, 2004). Organizations would also benefit from conducting a broad search for members, as many organizations either consider too few candidates, or only a single candidate, for an available position on the governing board (Daily, 2004).

The lack of orientation and training for new members of the board.

Historically, it has been the norm for board of director training and development to consist of meeting with the executive director, a review of the documents associated with mission and history, and a tour of the organization’s physical plant (Green & Griesinger, 1996). TSI does not provide any viable orientation to new board members other than a binder of basic information, which is usually presented immediately prior to the first board meeting attended by the individual and the executive director. Current board members confirmed this was their orientation experience. The lack of a formal orientation process does not provide new board
members with a viable introduction to the organization, which hinders their initial effectiveness in the role of governance.

**The lack of development opportunities for existing board members.**

The combined impact of limited nonprofit experience, minimal orientation for new board members, and an undefined board member selection process is magnified by the lack of ongoing training and development opportunities for the board of directors. Jill indicated plans were discussed regarding board development but nothing had been implemented. Carver (2006) identified that the responsibility for board development rests with the board of directors, itself.

TSI board member responses about development focused on the need for training in grant writing and fundraising. Not a single board member identified any topic associated with nonprofit governance as a professional development need. This is consistent with Holland’s (2002) position that it is the rare exception when a board of directors sets clear expectations and standards for its own membership and applies these expectations to their own dynamic. One current board member, Sloan, believes that any attempt at board development is likely to fail because of the difficulty of assembling the entire board in one place at the same time. Jansen and Kilpatrick (2006) argue the membership of the board must be willing to examine its own performance on a regular, if not continual, basis, while identifying improvement opportunities and making necessary changes for the betterment of the organization if it is to become a high-performance governing board.

**Decreased governance knowledge results in increased liability.**

The board of directors of a nonprofit corporation is responsible for the duties of care, obligation, and loyalty in the guidance and oversight of the organization. Any failure of the nonprofit in the operational domain reflects upon the board of directors as stewards of the public
trust (Thompson, 2006). To provide one example, a standard Directors and Officers (D&O) liability policy protects the member of the board, individually and as an entity, from liability exposure due to malfeasance or negligence on the part of the operational staff. Interviews with members of the board of directors indicated both a lack of knowledge concerning the potential liabilities of nonprofit governance and no knowledge as to whether the TSI board of directors was protected by a standard Directors and Officers (D&O) liability insurance policy. A failure to understand the role of nonprofit governance by the board of directors of TSI cannot be generalized from a single example; however, it is an indicator that such a possibility might exist.

**Conclusion: Low governance expectations inhibit organizational effectiveness.**

Chait, Holland, and Taylor (1993) identified six competencies critical to nonprofit board performance. One of those six competencies, the educational dimension, mandates that board members be well-informed about the organization, the nonprofit sector, and the roles and responsibilities of the board members. In support of this competency, argued Chait et al., the board must create opportunities for professional development as well as engage in ongoing self-reflection and assessment. The continuity of governance for TSI is found in the executive director and the two primary officers of the board of directors, all of whom have been in place since organizational inception six years ago. No evidence exists of an effort to expand the knowledge of former or present board members in governance methodologies or expectations other than the participation of the executive director in a training series offered by the Arkansas Coalition of Excellence. Board development is clearly not a priority to the organization at this stage of its existence.

This lack of development with regard to organizational governance is compounded by relatively low expectations for attendance and participation in governance by the current board
of directors, which are codified in the bylaws of TSI. The requirement to constitute a quorum of the board of directors is 20% of the current membership, which allows three members of the board to conduct business and obligate the organization without representation from the remaining 80% of the governing board. Board members are required to attend only two meetings per year to remain in good standing with the organization’s governing body. Minimal participation combined with a lack of experience and training in the governance of a nonprofit organization fails to meet the Duty of Care expected of the governing body. This, in turn, exacerbates the liability of not only the enterprise itself, but also of individual members of the board. The lack of participation on behalf of the board of directors also inhibits organizational effectiveness, which is further discussed in Theme 3, below.

**Theme 3: Board Member Self-Perception of Role affects Organizational Effectiveness.**

My own nonprofit experience is that each governing body of a nonprofit organization develops its own personality and governance style over time. The board members of TSI consistently define themselves as a working board that focuses on supporting hands-on operations. A commitment among the board members has ensured that the operations and fundraising events of the organization were properly staffed and resourced. Board members consistently identified themselves as part of a hard-working body with a strong work ethic. This characterization was most often affiliated with operational activities and fundraising efforts. The findings indicate there was only a minimal focus on establishing policies and procedures and providing guidance to the executive director.

**Roles and responsibilities are consistent with working board characterization.**

Board members’ self-perception of their roles and responsibilities as members of the governing board were consistent with their self-identification as a working board. The members
of the board did not, however, present any one dominant theme about what it meant to be a working board. One group clearly identified fundraising as the primary task; the executive director also indicated the fundamental role of the board of directors is one of fundraising. A second group struggled to articulate its role as members of the governing board. This group described its role in broad terms, such as best interest, responsibility, obligation, and so on. The findings indicate that this group exhibits role ambiguity with regard to the governance function. Doherty and Hoye (2011) contend that a board member’s perception of his or her effectiveness is related to role ambiguity, which is measured by how well a board member understands what he or she is supposed to do, and the relationship of those actions to organizational goals. William, the board president, was the only member to identify strongly with governance. This finding is not surprising for two reasons: he is a professor of business at a local university and has been the only person to serve in the role of president of the board of TSI. The self-perception of this board of directors is consistent with Liu’s (2010) finding that it is not unusual for board members to experience role ambiguity within the same organization.

**Board member motivation influences self-perception.**

Individuals must make a personal decision to accept an invitation to join a nonprofit board of directors. Such a commitment requires time, energy, and a willingness to accept potential liability. The motivation to become a part of a governing body is a personal decision, influenced by any number of variables. Inglis and Cleave (2006) identified the following as key components to motivational frameworks to serve:

- Developing individual relationships;
- Enhancing self-worth;
- Helping the community;
Organizations, as well as individual board member candidates, should examine potential motivations for service on a specific nonprofit governing board (Inglis & Cleave).

The board members of TSI expressed motivations ranging from the emotional to the pragmatic. This finding is consistent with my experiences as both a nonprofit board member and a nonprofit professional. One emergent motivation present in the findings is the emotional connection to serving children with developmental disabilities. Four board members either had a family member receiving services from TSI or had prior experience working with individuals with developmental disabilities. A second emergent pattern expressed by the board members of TSI indicated that each individual joins because of a personal reason, but the motivation to serve may evolve over time. One such example is of the board member who decided to serve on the board for professional reasons but whom now continues to serve because of the organization’s mission. More than one other board member was initially attracted to the board because of his or her experience with or affinity for horses. These individuals are now motivated by the desire to ensure hippotherapy is available in the local area to children with developmental disabilities.

**Board member nonparticipation decreases organizational effectiveness.**

A lack of board member participation in the governance process affects not only organizational effectiveness but also the perception of peers, donors, and community stakeholders. Board member participation is often based upon an emotional connection to the organization’s mission (McCambridge, 2004). Board members should be selected based on an expectation that a tangible value will be delivered, whether in governance expertise, fundraising,
name recognition, or other areas. The findings indicate that the governance of TSI is negatively impacted by the lack of consistent board member participation. Multiple reasons for this challenge emerged from the research:

- inviting individuals to the board for name recognition only, knowing they would not be active participants;
- extending invitations to individuals based on personal giving or giving by the individual’s own company or employer;
- the inability of board members to identify who is and who is not currently serving on the board of directors;
- failure to codify minimal participation requirements in the bylaws; and
- reinforcing low board member expectations allowing nonparticipating board members to remain on the governing board.

The environment described is one of little expectation of consistent participation in governance and organizational events. While no one expressed satisfaction with this paradigm, some board members described their frustration with the absenteeism of their peers.

Good-governance advocates, both corporate and non-profit, generally support the inclusion of structural remedies to enhance governance: regular meeting attendance, greater board member skills, relevant board member age, past CEO presence on the board, workable board size, committee structure, and so on, are representative examples. However, as Sonnenfeld (2002) noted, these traditional examples are present in failed as well as successful organizations. Sonnenfeld proposed five areas critical to building a better board in participation and practice:

- create a climate of trust and candor;
- foster open dissent;
- use a fluid portfolio of roles (do not allow director typecasting);
• ensure individual accountability; and
• evaluate board performance.

He argued that boards are not just governing bodies but are also robust social systems.

Low participation may significantly hinder business if a quorum of the board of directors cannot be achieved on a consistent basis as a lack of a quorum prevents the governing body from taking official action on behalf of the organization. The executive director stated that the board of directors failed to constitute a quorum only twice since the organization’s inception. However, the bylaws of TSI (Equestrian Zone, 2010) indicate only 20% of the membership must be present to establish a quorum. With a current board membership of eleven individuals, as few as three board members may legally obligate the organization.

Callen, Klein, and Tinkelman (2003) argued that no single criterion of organizational effectiveness is available that is viewed equally by the nonprofit community. A clear mechanism behind a well-performing board and an effective organization does not exist (Mwenja & Lewis, 2009). Mwenja and Lewis maintained that organizational performance is ultimately a social construct; that, combined with poorly articulated goals, makes a single model of nonprofit effectiveness virtually impossible to develop. Nonprofit organizational effectiveness, as described Herman and Renz (2008), is always multidimensional and a matter of comparison. They agree with Mwenja and Lewis that nonprofit organizational effectiveness is often a social construct, and it is unlikely that a set of universal best practices of nonprofit governance exist.

**Conclusion: The relationship between governance and effectiveness is unclear.**

The governing board of TSI characterizes itself as a working body with a strong work ethic, most often affiliated with operational activities and fundraising efforts. However, it is evident that a single dominant theme about it means to be a “working board” is absent. I
conclude that role ambiguity characterizes TSI’s governing body, both individually and as a whole. According to Doherty and Hoye (2011), role ambiguity is measured by how well a board member understands what he or she is supposed to do and the relationship of actions to organizational goals. The data indicates the board members of TSI equate individual perceptions of governance roles to organizational outcomes, but the role of individual governance has not been articulated by the organization. The board members of TSI expressed motivations ranging from the emotional to the pragmatic and, ultimately, individuals choose to join a board of directors for personal reasons. However, individual motivations evolve over time.

The findings indicate that the governance of TSI is negatively impacted by the lack of consistent board member participation. As discussed above, a lack of participation combined with minimal experience and training increases the potential for individual and organizational liability. Examples of that potential are evident in the selection of former and present board members based upon name recognition, profession, or a history of financial contributions, none of which directly reflects an individual’s interest or commitment to the role of organizational governance. Sonnenfeld (2002) noted structural remedies, such as regular meeting attendance and adequate board member skills that enhance governance, but he further observed that those structural remedies are found in both failed and successful organizations. Mwenja and Lewis (2009) maintained organizational performance is ultimately a social construct. The social construct of organizational performance maintained by the governing board of TSI is one of organizational effectiveness with regard to the delivery of the mission, despite the governance challenges apparent in the board of directors.
Theme 4: The Role of the Executive Director in the Embryonic Nonprofit Organization

The executive director of TSI is not only the managing entity of the organization but also the primary direct provider of hippotherapy services to recipients. She is one of two co-founders of TSI. Her value to the organization is acknowledged by the board of directors; members of the board consistently extolled her commitment to the organization and her passion for providing hippotherapy to children with developmental disabilities. While Jill has been compensated as a therapist during her tenure with TSI, she was not paid in her capacity as executive director during her first five years with the organization. The members of the board and the primary benefactor agreed it would be a substantial setback to the organization if Jill left TSI; some questioned whether the enterprise would be sustainable without her presence.

The executive director drives the embryonic nonprofit organization.

It is my perspective from my own nonprofit experience that the relationship between the executive director and the board of directors is the heart of the governance in any nonprofit organization. Nonprofit board members are charged with the duties of loyalty, care, and obedience to execute the stewardship of the organization and to maintain the public trust. However, they rely upon the executive director and the information he or she provides to them as the governing body. This is true of TSI.

The management paradigm at TSI is unique and one I have not previously encountered in my nonprofit organization experience. Jill is not employed full-time as the executive director but rather as the primary provider of hippotherapy through a third-party provider. Her role as executive director is separate from her duties as a therapist. However, through observations and interviews, it is apparent that this dynamic is critical to the success of the organization, and there is no need for this arrangement to change in the near term. While this paradigm may be
successful, the board must consider how long Jill’s maintaining a dual-role status remains in the best interest of TSI. William, the board president, expressed a desire for Jill to become the full-time executive director, but acknowledged that it is not currently financially feasible to make such a commitment.

**The presence of leader-member exchange theory.**

As expressed by Russell Hoye (2006), Leader-Member Exchange theory (LMX) “means that leaders and followers develop exclusive exchange relationships (dyads), some of which are high quality (presence of mutual trust, respect, and obligation) and others of low quality (low trust, respect, and obligation)” (p. 299). Hoye’s study, which focused on the quality of relationships between boards and paid staff and their impact on board performance, indicated that the quality of the leader-member exchanges has a direct influence on board performance. In contrast, the absence of strong leadership in the form of the chair of the board of directors increases board reliance upon the paid leadership team. This low LMX situation may create an environment of lower commitment on the part of individual board members. The key elements of LMX theory are present in the exchange relationship between Jill, the executive director, and the board of directors of TSI. The findings indicate a positive exchange relationship dyad as mutual trust, respect, and obligation are present.

**The presence of agency theory.**

Brown (2005) argued that agency theory is the most significant explanation as to how the board of directors improves organizational effectiveness. Agency theory describes a state of conflict between the governing board of directors and the executive (or executive team) who manage the nonprofit organization and, if the executive director’s behavior is not controlled, the nonprofit’s mission may not be achieved (Caers et al., 2006). The critical component of agency
theory in relation to nonprofit governance is the delegation by the board to the executive director the responsibility for day-to-day operations with the expectation of managing in the board’s best interest, while the board is responsible for managerial compliance (Miller-Millesson, 2003; Kreutzer, 2009). Elements of agency theory are present in the board of directors/executive director relationship at TSI. While Jill is the unquestioned leader of the organization, she is proactive in her communications with her board members. She does not hesitate to seek their council nor does she make any major decisions without the consent of the board.

**Conclusion: Executive leadership is critical for the embryonic organization.**

The findings indicate that TSI remains an embryonic organization in the domain of organizational governance. Through both observations and interviews, it is apparent the executive director of TSI is the keystone to organizational effectiveness. Her value was clearly expressed by each member of the governing body. The board of directors acknowledged her value and questioned whether TSI could be sustained without her presence for two reasons: first, she serves as the executive director but does so in what is essentially a part-time volunteer role; and second, she is the primary provider of the organization’s mission, hippotherapy, employed through a third-party therapy provider. She is not only the executive director, but also the primary source of organizational revenue.

Two key governance theories emerged with regard to the board/executive director relationship: leader-member exchange theory and agency theory. Leader-member exchange theory is evident in the reliance upon the board of directors on the day-to-day leadership and by the evidence of a positive exchange relationship dyad of mutual trust, respect and obligation. Agency theory is clearly present in the governing board’s delegation of day-to-day operations to the executive director and its expectation of managerial compliance. This relationship reflects
the presence of elements of multiple governance theories, and the lack of a dominant governance theory, in a nonprofit organization limited in both size and scope.

**Recommendations**

The case study of a single nonprofit entity suggests a number of recommendations for the practice of nonprofit governance in general as well as future research in the domain of nonprofit organizations which are either embryonic or have limited means available for the professional development of the board.

**Recommendations for practice.**

The normative literature available to the nonprofit community leans towards a prescriptive approach to nonprofit governance that generally offers either a checklist of best practices or a formulaic approach to governance, which should result in effective governance but only if properly applied. The academic literature with regards to nonprofit governance has a disproportionate focus on large and well-financed nonprofit institutions. The research literature proposes theoretical constructs such as agency theory, contingency theory, LMX theory, and so on, and assessments and strategic training paradigms, such as the Balanced Scorecard, which may not be accessible or deployable by the small or embryonic nonprofit corporation. This is confirmed by my exploration of TSI as well as my anecdotal experience over a twenty-year period as a practitioner in the nonprofit community.

TSI’s leadership and board requested that I provide feedback and recommendations to the organization upon completion of this study. It is an organization with the desire to evolve in operational structure as well as governance effectiveness. The general solution I have experienced and, on occasion, provided is for an organization to identify a need for training for
the board of directors, which results in a litany of best practice recommendations to the board membership. I now find that approach to be wholly ineffective.

My research effort began as an attempt to determine whether a gap-analysis approach to the development of a governing board would be effective, with the intent of using the Balanced Scorecard as the theoretical framework. Once I began my work with TSI, I soon discovered that the Balanced Scorecard approach required a capacity far beyond what my participant organization could provide. It was not a feasible approach.

The recommendation is for the practice of gap-analysis as an effective means of evaluating the needs of a governing board of directors of a nonprofit entity. A responsible consultant must identify the current knowledge base and governance paradigm of the board combined with the leadership style of the executive management team. The existing governance theory must be identified, if feasible. The information may be gathered in any number of methods based upon the assessment of the current framework (e.g., personal interviews, document reviews, surveys, etc.). Only after the current paradigm and the desired governance outcomes are identified may the consultant propose a course of action to enhance the overall governance effectiveness of any entity. The primary caveat to this approach is the development of a methodology that not only provides efficacy but is feasible in time and financial cost to an organization with limited availability of both.

Recommendations for future research.

The exploration of the governance of an embryonic nonprofit with limited governance experience and limited resources identifies significant areas of potential research in the nonprofit literature, including the following:
1. What is the broad perception of governance by board members of small or embryonic nonprofit organizations in the United States? Are there common governance traits in these organizations that have not been identified in the current academic literature?

2. What governance professional development and orientation opportunities are provided to the board of small or embryonic nonprofits? Could further exploration of development and orientation identify a generalized process in this community, resulting in a new approach to board member development which may result in enhanced effectiveness?

3. What is a cost-effective and viable methodology for gap-analysis in the small or embryonic nonprofit? Can an existing paradigm, such as the Balanced Scorecard, be modified to meet this need? Could a new approach to gap-analysis emerge from expanded research into this segment of the Third Sector, which is essentially unexplored in the existing academic literature?

**Researcher Reflections**

As this endeavor comes to a close, I reflect on the impact this journey has had on me as the researcher as well as the subject matter of my research. The formative steps of my exploration of nonprofit governance began over four years ago while I remained in the midst of my coursework. Like most, I had a minimal knowledge of the qualitative research methodology with regard to the social sciences. However, the process was not completely unfamiliar. I had previously earned my undergraduate and first graduate degrees in history. Telling the story which emerged from the research was a familiar paradigm, but now the emerging story was told through a stringent research methodology and not the more familiar path of historiography. At
the end of the day, it is the personal narratives of qualitative research that inspired me to choose
this path for my dissertation.

I chose my subject for this case study, TSI, because it was clearly an emerging nonprofit
organization. TSI’s mission of providing hippotherapy for children with developmental
disabilities intrigued me because of my seventeen years of experience serving adults and children
with developmental disabilities. I was only vaguely familiar with the therapy and its correlation
between equine movement and human movement. The entity was a new member of the local
United Way, of which I am a member of the board of directors. TSI had established its
credibility with our chapter of the United Way, but I was not personally familiar with the
executive director or the board of directors. While TSI was selected as the case study for my
dissertation out of convenience, it provided the unique characteristics I desired in my participant
organization.

The in-depth data collection process of the qualitative interviews was a rich experience
for me but also, in my observation, the individuals who participated regardless of their affiliation
with TSI. I discovered that my knowledge and experience with nonprofit corporations and
nonprofit governance allowed me to explore aspects that may not have been available to a
researcher less experienced in the field of study. I had to remain aware of my own knowledge
and biases so as to not presume a certain response from my participants or to lead my
participants in a predefined direction. I learned that I am very comfortable in the qualitative
interview process, one that results in rich data not available in a quantitative approach. It is a
long and tedious process but the results and the insights gained are certainly worth the time and
effort.
It is my observation from this experience that there is a vast and untapped realm of knowledge in the governance experience of those affiliated with small or embryonic nonprofit entities. I believe that this domain of the Third Sector – the largest domain by purely the number of organizations – remains unexplored because it does not easily conform to the theoretical models and constructs of the existing nonprofit governance literature, scholarly or normative. I see validity in defining nonprofit governance as a social construct, based upon the experience, knowledge, development and intellectual investment with the additional influence of demographic and socio-economic norms. This is a complicated, yet fascinating, domain which I endeavor to further explore.
References


Appendix A

Consent Form

Nonprofit Board of Directors Research Project

You are invited to participate in a study to research nonprofit board members’ perceptions of the board’s role in the management of the organization. You are being asked to participate because of your recent or former participation as a nonprofit board member.

This interview is part of a doctoral dissertation at the University of Arkansas, under the direction of Dr. Dale Thompson, Associate Professor of Workforce Development.

Background of Study

With over 20 years of exposure to nonprofit operations as an employee and a member of various nonprofit boards, the investigator’s experience has been that board members receive little or no training in governance. As a result of this lack of training, board members define their perception of the proper role of a board member on their own personal experience or from what they have learned through active participation. The purpose of the research is to determine the personal perception of nonprofit board of directors’ role and the board’s relationship with the organization’s chief executive officer. The potential outcome is to identify the gap between board perception and accepted best practices with the intent of enhancing nonprofit board performance in Arkansas.

Study Procedures

If you agree to be part of this class project, I will interview you for approximately 45 minutes, asking questions about why and how you got involved in an nonprofit organization and what the experience has been like for you. After I have completed the interview, I will prepare a report to Dr. Thompson that summarizes what I learned from our conversation.

Risks and Benefits of Participating in Study

Other than the minimal risks you may encounter in daily life, this study has no physical or psychological risks of which I am aware. The benefits of participation in this study include increasing my understanding of how instructors may better support the educational and personal goals of nonprofit board members, and, I hope, your knowledge that you have contributed to the improved function of nonprofit operations in Arkansas.

Confidentiality

The records of this interview will be confidential; any notes or recording I have made during the interview will be destroyed after the dissertation process has been completed. No information will be included that makes it possible to individually identify you; only general demographic information about your course of study, age, gender, previous education, and so on, will be included in any reported studies.
Voluntary Participation

Your decision whether to participate in this study will not affect your current or future relations with the University of Arkansas. If you decide to participate, you are free to withdraw at any time during the study without affecting those relationships.

Contacts and Questions

If you have any questions, please ask them now. You may contact Dr. Dale Thompson at (479) 575-6640, 111 Graduate Education Building, University of Arkansas, 72701-1201, now or at any time during this process should you have additional questions.

If you would like to talk to someone other than the researcher about this study, please contact the Institutional Review Board Compliance Coordinator, Ro Windwalker, 118 Ozark Hall, University of Arkansas, 72701, by email, irb@uark.edu, or by telephone, (479) 575-2208.

You will be given a copy of this form to keep for your records.

Statement of Consent

I have read the above information. I have asked questions and have received answers to my questions. I consent to participate in this class project.

Signature __________________________________________________ Date _________

Signature of Parent or Guardian ________________________________ Date _________

Signature of Student Interviewer _______________________________ Date _________.
Appendix B

Interview Protocol Project

Time of Interview:

Date:

Place:

Interviewer:

Interviewee:

Position of Interviewee:

Consent Obtained?

Project Description: The purpose of the research is to determine the personal perception of nonprofit board of directors’ role and the board’s relationship with the organization’s chief executive officer. The potential outcome is to identify the gap between board self-perception and defined governance standards with the intent of enhancing nonprofit board performance in Arkansas. The TSI leadership and board of directors have agreed to participate as an organization in this research.

Questions:

1. Describe your connection with this organization, either as a member of the board of directors or otherwise.

2. In your experience has the board of (non-profit organization) conducted a self-assessment?
3. Describe the orientation you received from (non-profit organization) as a new member of the board of directors. Can you describe any follow-along or ongoing training you may have received as a board member?

4. What can you tell me about your knowledge of (non-profit organization’s) articles of incorporation and bylaws?

5. How would you describe the distinction between the management role of the chief executive employee (the “CEO”) and the board’s role of policy formulation, decision making and oversight?

6. What has the board done, as a whole, to enhance the organization’s public standing?

7. Can you describe the board’s role in the overall strategic planning process?

(Thank the individual for participating in this interview. Assure him or her of confidentiality of responses and potential future interviews.)
Appendix C

Observation Protocol

Site:

Observation Permission Obtained?

Date:

Start Time:

End Time:

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November 28, 2011

MEMORANDUM

TO:               Jeff Aulgray
                  Dale E. Thompson

FROM:            Ro Windwalker
                  IRB Coordinator

RE:              New Protocol Approval

IRB Protocol #:  11-11-202

Protocol Title:  Nonprofit Board Members’ Self-Perception in the Role of
Organizational Governance and the Balanced Scorecard

Review Type:     ☑ EXEMPT  ☐ EXPEDITED  ☐ FULL IRB

Approved Project Period:  Start Date: 11/28/2011  Expiration Date: 11/27/2012

Your protocol has been approved by the IRB. Protocols are approved for a maximum period of one year. If you wish to continue the project past the approved project period (see above), you must submit a request, using the form Continuing Review for IRB Approved Projects, prior to the expiration date. This form is available from the IRB Coordinator or on the Research Compliance website (http://irb.uark.edu/210.php). As a courtesy, you will be sent a reminder two months in advance of that date. However, failure to receive a reminder does not negate your obligation to make the request in sufficient time for review and approval. Federal regulations prohibit retroactive approval of continuation. Failure to receive approval to continue the project prior to the expiration date will result in Termination of the protocol approval. The IRB Coordinator can give you guidance on submission times.

This protocol has been approved for 20 participants. If you wish to make any modifications in the approved protocol, including enrolling more than this number, you must seek approval prior to implementing those changes. All modifications should be requested in writing (email is acceptable) and must provide sufficient detail to assess the impact of the change.

If you have questions or need any assistance from the IRB, please contact me at 210 Administration Building, S-2205, or irb@uark.edu.