

Chapter 11

The Major Challenges in Designing Capable Nonprofit Boards¹

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ABSTRACT

This chapter explores major governance challenges that nonprofit organizations experience in their transition from voluntary associations to formally structured agencies. Based on a rich set of data collected from more than 40 New Zealand nonprofit organizations, we argue that developing the governance capacity and collective capability, built on adoption of best practices, diversity of ideas and experience, sound protocols and systems, and strong relationships amongst board members, between a board and the CEO, and amongst the board and the organization's stakeholders, is of key importance for an agency in order to position itself within the sector.

Key words: nonprofit organizations, governance capacity, governance capability, nonprofit boards, board-management relations, organizational life-cycle.

INTRODUCTION

Many authors have discussed the evolutionary aspect of the governance and management issues in nonprofit organizations (see, for example, Billis, 2010; Bradshaw, 2009; Minkoff and Powell, 2006). Billis (2010), among others, emphasized various steps and issues in transforming an association, which has more a voluntary character, to an agency, with all characteristics of formal organizational structure. In the later stages of organizational life-cycle when an agency becomes more dependent on external funding (especially in the form of government contracts), the organization has to demonstrate compliance with standards of service, health and safety and other employment regulations, as well as financial transparency. Organizations lose the freedoms of a purely 'voluntary' association and take on aspects of a service bureaucracy. Employment of staff, and

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the development of tiers of managerial responsibility, signals a fundamental shift in nonprofit organizations from *association* to *agency* (Billis, 2010).

The transformation to an agency requires the intentional design or the introduction of systems and practices that will institutionalize standards and quality of work. Developing the organizational and governance capacity embedded in these systems is a key importance for an agency in order to position itself within the sector. The capacity building includes, among other things, adoption of best practices, understanding external issues and governmental policies, and knowledge of funding opportunities and requirements. Although much of this work in an operational sense is executed by the professional management, there is an enormous challenge for voluntary boards to understand and strategically act upon these complexities. When the board truly lets go of operational matters they step into new work at a new level. The board takes on responsibility for championing the vision of the organization over a longer time frame. This calls for strategic imagination and a strong partnership with the chief executive. A board's role is to envision a desired future, to discern the best, most effective, direction to go in, and to bring the organizational 'craft' safely through any hazards met on the way. Collectively, the board acts as the 'steersman'². Like anybody entrusted with navigation, the authority to direct must be predicated on appropriate depth of seamanship, and must earn the respect of the crew. The work of governance is quite specific: it is to steer the craft, but not to row it. The essence of governance is direction-providing and seeing the craft and crew are 'fit for purpose'.

Good governance is predicated on good management. The relationship between board and Management is an evolving one. There will be times in the early development of organization when the responsible body sits alongside rather than distanced from management. Issues of management processes and best practices are relevant when a 'governing' body operates in the form of a management committee in an association. When the responsible body employs a manager, former operational work is no longer the board's responsibility. Board members may, of course, continue to lend their skills to the organization in other capacities, but they do so as volunteers, not as governors. The governance and management capacity of the agency needs to fit the complexity of the service it is providing. Separation of management's responsibilities from governance accountabilities requires an equal level of capacity and capability in both bodies.

Our interest in this inquiry lies in the discussion of governance challenges that a nonprofit organization faces in its transition from an association to an agency. In

² The term 'governance' comes from the Latin word gubernator – a steersman, referring to the person wielding the long rudder at the back of a galley full of rowers.

our investigation we especially focused on emerging governing practices as organizations experience internal organizational changes and address changing political, social and economic contexts. We explain the qualitative difference between governance and management and discuss the importance of individual and collective capability building at board level. We argue that the board, in partnership with senior management, is responsible for the future direction of the organization and its outcomes.

At this transitional stage, the work of the board is translated into action by positioning the agency within its sector, and crafting strategy to respond to changes in the environment.

Attention to accountability and governance policies has dominated the research on nonprofit governance in recent times (see for example, Carver, 1990; Carver and Oliver, 2002; Mulgan, 2000). Legislative, compliance and procedural activities should not, however, overshadow the key role of the board which is to provide direction and vision for the future. We, thus, draw attention to the board's leadership role and major transitional challenges in building sound governance and organizational leadership.

EMPIRICAL RESEARCH

Over a four-year period (2008-2012) we have conducted primary research for a major study of organizational development in a range of New Zealand nonprofit organizations. Our empirical base was extensive. We interviewed over 80 participants in 40 organizations targeting CEOs/General managers and board members/trustees in these organizations, plus a few experts in the sector. The organizations we studied predominantly belonged to the social services sector. They ranged from small autonomous organizations with revenues below NZ\$500,000 to large national bodies with revenues greater than NZ\$5M. Our case organizations were highly dependent on three major sources of income: government grants, community trusts and lotteries, and membership fees. The large organizations (agencies with revenues between NZ\$1 million and NZ\$5 million) were tapping in to more sources of income. Almost half of the research organizations had fewer than five full-time employees, and one third had more than 15 employees.

Our approach was first to interview, if possible, two or three long-standing members from each organization, who could give us the story of their organization's development, and then to talk independently and in depth with the current CEO/GM and board members. Interviews were taped and transcribed. After reading transcripts many times and much discussion we both became very

familiar with the data. This enabled us to identify recurrent themes and make comparisons, to see patterns and draw out the threads that hold organizations faithful to their mission, and to see the issues that challenged them at particular transition points. In some cases we went back to organizations for updates and further discussions. The interview data were analyzed using thematic analysis (Huberman and Miles, 2002; Wolcott, 1994). This chapter focuses on our interpretation of the major issues that voluntary governing bodies experience in designing their responses to increasing internal and external complexities.

We designed our discussion around two major attributes of good governance – capacity and collective capability. In organizational terms, capacity refers to the purpose, roles, structures, processes, and systems that constitute the organization. Governance capacity refers to the scope of action a board (or a responsible governance body) can undertake and the resources needed to deliver on its mission. Collective capability refers to the way in which people work together. However capable individuals may be at particular tasks or responsibilities, if they do not have the ability to work with others, the capability of the whole organization is compromised. Relationship capability is a shared responsibility. It can be fostered and deepened through example and careful attention to its central importance. Collective capability is an expression of the shared values that are articulated as part of the philosophy and mission of the organization.

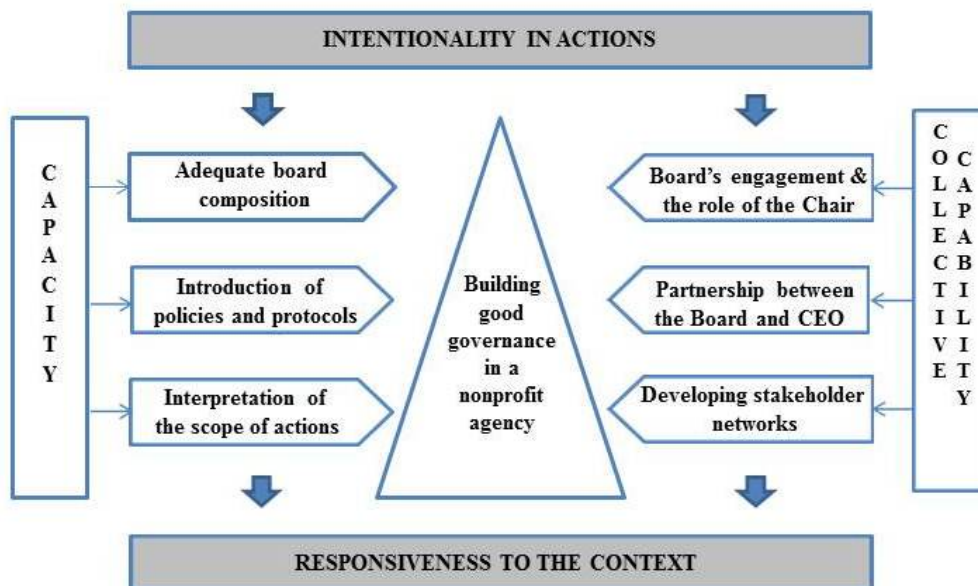


Figure 1. Major attributes and their factors in building good governance in a nonprofit agency
We discuss the capacity of a board in terms of the organizational factors of

composition, processes and protocols, and intentionality. These factors create the vehicle for governance action and provide legitimacy to the board's actions. Capacity provides the vehicle; capability determines the quality of governance expression.

Capacity as composition

Composition of the responsible body established for an association may no longer be appropriate for the level of complexity that the organization has reached as an agency. As the work of a board (and the organization) increases in complexity, there is more to take into account, more to hold in balance, greater risks to assess, and greater opportunities to explore. More time and effort is expected of board members and there is recognition that particular skills are needed which may not have been found in an earlier board composition. Composition, however, may be constrained by constitutional requirements such as membership criteria (e.g., parents, clients), regional quota and/or cultural or gender diversity criteria.

A common practice is to seek a diversity of board members to provide different perspectives. The purpose of that diversity needs to be intentional. One CEO in the Disability sector reported:

“[W]e look within in our own networks for people who might be the right person for our board. We've got an absolutely amazing board; they're very clear about the work of the organization. They come from all sorts – we've got a primary school principal, sports development officer, father of a young woman who has been in our organization since year dot, he's from Inland Revenue Department. A guy from Auckland, a consultant but also a CE of a primary health organization and a young woman just graduated from university, smart young woman who experiences disability herself, and our Chair, who is a consultant working in organizational development in the nonprofit sector. So we've got a dynamic board. “

The capacity of a board to absorb and embrace new members is an important indicator of organizational health. Diversity of ideas and experience enriches the capacity of boards to make sound decisions and avoid 'group think'. Many boards constitutionally require ethnic and cultural, different age ranges, and regional or consumer representations. Finding adequate ways in which these representative voices can be heard against the dominant discourse of the board is a challenge (Bradshaw and Fredette, 2011). People from diverse backgrounds need to be encouraged to participate if their contribution is to be effective. If board members do not recognize when their own cultural perspective is dominant, they can cut

across the contributions of others.

A wholly member/beneficiary-base board may have the range of skills required to keep a central focus on the needs of the agencies' membership, but may not have a wider view on where or how such an agency might engage with their sector as a whole. Difficulties arise when board members are not in touch with the work the agency does. Board members cannot be effective if they bring only professional or technical skills, without also having knowledge of the sector. Board composition will therefore need to be reviewed regularly as the organization develops in complexity.

A wise board is one where individually and collectively the group can 'interrogate their own thinking' (McNiff, Lomax and Whitehead, 2003); that is, reflect on what they think and why, and understand the implications of their collective interpretation of factors for the leadership that they are called to exercise. Part of this self-awareness is to declare any conflicts of interest. This does not relate only to financial matters. It may well be the case that loyalties in another part of one's life conflict with the values or responsibilities attached to being a member of the board. When people hold entrenched ideas that are incompatible with the purpose and aspirations of the organization (such as resistance to change, or too narrow a definition of mission) or when outside loyalties conflict with board values, the rationale for their continued participation as a board member should be addressed.

Capacity as processes and protocols – recruitment, selection and tenure

Possession of specialist skills or relevant knowledge (being a migrant, a religious leader, an accountant, a medical specialist) does not of itself guarantee that that person will add value to the board of a Migrant Service, Church Social Service Agency, Cultural Society or Aid Agency. The crucial test would be that these attributes add to both the capacity and capability of the board, enabling it to do the work that is specific to governing. How specific individuals are chosen is an important indicator of the openness and intentionality of the board to find the right people for the right times.

Ensuring the adequate processes for the recruitment, selection, induction and training of board members is an essential dimension of capacity. There is internal work that any board must do on its own behalf (separate from management) to ensure that its processes, protocols and procedures are in good order. This means not only ensuring that such processes are in place in theory, but that they are put into intentional practice and regularly reviewed.

RECRUITMENT AND SELECTION. Introduction of recruitment and selection criteria for board members may be novel practices for many boards, but such processes allow for proper identification of suitable contributors. Relevant recruitment criteria might assess individuals' ability to think strategically, to work with complexity, their willingness and availability to invest time in board work and work effectively with others. Recruitment of people for their specialist knowledge needs to be driven by strategic considerations, not expediency.

As new people are recruited into governing positions, it is important to realize that the role board members are being asked to play may not be fully understood by all. For several new appointees, we interviewed, it was difficult at the outset to understand what was required of them. Few received any proper induction or initial training, and their legal liabilities as board members or trustees were not explained. The process of gaining appropriate experience may take a while. The specific 'governing' roles in this case may be under-developed and lead to either insufficient action and/ or anxiety. The capacity and capability of board members to perform is not questioned, but their potential at this emergent stage is as yet unrealized.

Every time new people are brought on board, the group needs to be reconstituted. The dynamics of the group will need to (re)settle. Task and relationship aspects of board roles need to be emphasized. The CEO of a Community development organization explained an initial recruitment process in his organization:

"We're a bit of a seat of the pants on that one.... In the last number of years the recruitment has been somehow between [the Chairman and me]. When they've [new members] come on board, or thinking about coming on board, they spend time with the Chairman, and they spend time with me learning about the organization. The Chairman certainly explains to them their role. So, although they don't have a piece of paper (it's probably something that we should do), their role has been quite effectively explained to them. Then, I've introduced them to the organization and from there they've decided whether they do want to put their hand up to be elected or not."

Our research results have shown the prevalence of informal processes for recruiting board members, suggesting that even with the best of intentions, old patterns of friendship and collegial affiliation can still undermine change intentions.

TENURE. Terms of tenure are usually stated in the Constitution. New strategic intentions may require revision of these terms to ensure that there is a balance between experience and new recruits. In our research, a picture emerged of

considerable stability of board membership with 46% of board members serving 7-10 years. During such a period, the organization may have undergone considerable change. Potential loss of important institutional knowledge is one of the risk factors that boards need to address when thinking about succession and sustainability of the board. However, entrenchment of particular perspectives may not serve organizations going through different stages of development, despite the importance of preserving institutional memory. Sometimes a certain level of upheaval of the people in both management and governance may be necessary if the board is to have the capacity and capability to embrace change and assess the merits of various ways forward. Revisiting the history of the organization, from time to time, is an interesting exercise that helps identify earlier phases of transition and capacity/capability issues already overcome.

CAPACITY AS A COORDINATED ACTION

A strong coordinating factor of any governing body is commitment to the values and intentions of the agency. This means transcending individual interpretations of mission in search of a shared understanding of the ‘common good’. The ability to transcend personal interest for the wider cause enables board members to work together effectively on governance issues. A single issue focus can be dysfunctional for the board working. A board member with extensive governance experience in various nonprofit organizations stressed:

“It can be frustrating when you have people who have one issue that they want to achieve. So you’ve got your issue members who have got one thing that they’ve set their mind on achieving and they’re not particularly interested in anything else, which again, is not really what director responsibility is about. But in the nonprofit sector I’ve seen that relatively frequently.”

If a board is to have strategic capacity then time spent on clarifying values, exploring shared meanings, checking out interpretation of language, and exchanging ideas, will be time well invested in building the social capital of the organization. Board members’ connections to each other, through the cause for which they work, provide a capacity threshold within which considerations for action, priority setting and imagination for the future can be discerned. The collective capacity to appreciate the ‘insider view’ and to see the whole rather than its parts is built up from the different perspectives of individual members, but is dependent on all members being able to see that they are contributors to, not individual determiners of, a collective view. The Chair of a Family social services agency explained:

“I’ve always had a really strong sense of justice, of children being looked after, and if you’ve got children being looked after, you have to have care-givers who are being supported and the thing about working in that area for me is there is always hope that things will be better. So I think, no matter what skills you are calling on your board, you have to have people who have that passion. They may have it to a greater or lesser degree, but if they are not engaged with that passion, let them go somewhere else.”

The skill sets that specific boards require will depend on the context in which they work. Some skills will be sector specific; others are generic to ‘strategic thinking’. Requisite skills identified in the abstract constitute part of the board’s capacity, but skills on their own are insufficient to create an effective governing body. There is an important dynamic interplay between capacity and capability, between individual and collective attributes, and between task and relational behaviours. However talented or diverse the members of a board are, without the ability and will to work well together, they will not be able to maximize the emergent potential of the group or move beyond the merely functional endorsement of management activities.

COLLECTIVE CAPABILITY

The full potential of governance is realized when strong relationships are forged amongst board members, between a board and the CEO, and amongst the board and the organization’s stakeholders and the general public. As the responsibilities of service provision and common good advocacy become more complex, so the spectrum and nature of relationships changes. As organizational arrangements develop so the challenge grows to hold these diverse relationships in balance.

Balanced relationships are seen when leadership is shared between board and management, respective authority is exercised appropriately, and the relationships which pertain within and between board and staff are respectful and professional. Relationship development is emphasized in the fledgling stage of an organization’s development, when its survival usually depends on the work of a group of passionate individuals. It becomes even more so in a more mature stage because the group charged with the responsibilities of governance is constrained by the capacity issues discussed above. Being able to work together under these circumstances requires knowledge of a ‘third kind’ – emergent group dynamics and relationship building. How does a group that is constituted infrequently, likely to be geographically dispersed, and composed of individuals with different experience and perspectives on mission come to be forged as a *strategic group*? How do individuals identify a role for themselves and how does such an individual

interpretation contribute to the collective capability needed? These are hard questions to answer: they must be asked of individuals and the board alike, and while a heavy burden falls on the Chair of the board to manage relationship-building, responsibility for finding answers is of course shared.

Board dynamics

There is a welter of literature on group (board) dynamics and much of it focuses on increasing effectiveness and performance of tasks (see for example, Firstenberg, 2008; Forbes and Milliken, 1999; Huse, 2007; Stiles and Taylor, 2001). From our experience and research, a focus on task is not enough. Our current research points to some specific issues of relationship building within boards which we suggest are important aspects of maintaining a healthy organization.

Board membership is an affiliation that exists over a period of time – possibly for many years. The active part of belonging to the group is not however continuous – interactions happen formally in designated board meetings (and in subsidiary sub-committee work) which happen on a monthly (or less frequent) schedule. Maintaining commitment and focus between meetings is important for the effectiveness of the board's working time together. Pre-task, post-task, and off-task phases are much longer than the actual on-task work. Between meetings is a period of latency, but it should not be a period of disengagement from board membership. Board members have personal responsibility to stay connected to the agency's work and continue to hold in intention the work of governance that it is shared. It is also a phase where much can happen in the lives of individual board members which may impact on their capacity to continue to perform. Threads of connection need to be maintained amongst members. The longer the time between meetings and activities, the more important the connectivity, the greater the importance of acknowledging any new realities of the organization, and the greater the value of preparation for the next cycle of work. The development of collective capability is a shared responsibility, but the Chair has the major burden of balancing and encouraging the process of engagement and contribution. The Chair of a leading Arts performing organization, sitting on several nonprofit and for-profit boards, explained:

“As a chairman in nonprofit, you don't just lay down where the board meeting is, you really manipulate your people to get it so it's quite distinctly different in that you're not paying these people therefore you really have to work around their programs and try and get them in. And keeping the time down is half the job. ... Because it has got a habit of sliding out if you're not careful ... I think

the key to a really good nonprofit is a good chairman. If you've got a good chairman generally you can put a good board together and with luck you can keep it together and the staff should feel fairly seamless."

The role of the Chair is crucial in maintaining appropriate momentum in discussion, balancing divergent opinions and approaches, allowing topics to be fairly canvassed but also pressing the decision-making process forward, always aligning decisions with mission and values. Because people are attracted to values and principles rarely challenged, exploring and exposing the impact of individual and collective mental models on collective decision making can only be done in the context of courageous conversations and a climate of acceptance of differences. As convener of the board, the Chair has the specific role of providing a 'container' for skillful, intentional dialogue and debate. A Chair who focuses only on task misses the essential work they are required to do – namely foster and call for strong, collegial working relationships amongst board members.

The Evolution of Board-CEO Relationships

Maintaining balance in relationships is an on-going commitment particularly for the Chair of the board who must engage with the CEO regularly. Together they form the bridge between management (operational work) and governance. Organizations may use a range of structural patterns for the Chair role which impact on the relationship between Chair and CEO. Some agencies have a permanent Chair with unlimited tenure, some have stated tenure, and others rotate the Chair position. Given the importance of the Chair-CEO relationship, however, each of these patterns will impact on how the people in these two positions adjust to one another, navigate the sharing of authority and expertise, and grow in themselves whilst maintaining or growing their organization.

Responsiveness to context requires active shared leadership and considerable trust by the board of the CEO, when working under political or economic duress. Part of building trust is the openness with which a CEO relates to the Chair. The long quote below, from the CEO of a large Community Centre, is a good illustration of the evolution of the CEO-Chair relationships in this organization:

"[The evolution of Chair/Board and CEO relationships] is a curve that looks a bit wavy. My first Chairman was a marvelous Chairman. We were a little organization ... and he saw his role clearly, it was to drive the organization into a governing situation, not an operational management situation, which it had been in the past. So, very challenging at the beginning for me, but I was very clear on what his direction was and we were on the same wave length.... He was replaced by the one who didn't quite know where he was going and he was a bit

lost. And we were going through some very challenging times...because we were in this big growth period and no staff. So he needed some guidance, and he sensibly went back to his predecessor, who was no longer on the board and got some guidance, so that helped.

But during the reign of that second Chairperson there were some meddlers on the board, and that was very challenging for him. He didn't really know how to handle them, he didn't know whether he should follow them and, well there was potential for a great rift between staff and board, huge potential at that time. And it was challenging for us all, we were all learning governance. Then the next Chairperson was somebody who had been on the board and is still on the board, he's been here nearly as long as me. And he had been treasurer in the past, and he was very hands-off, do-what-you-like kind of a person. Great to know that somebody trusted me to that point, but it was too hands-off really. So that worked, I felt endorsed by him, but it wasn't perfect. I didn't have support... And then came [John] who of course is very experienced in governance and has guided companies and organizations in that area. He was deputy Chair to the previous Chairman...and that was a big turning point for us."

This example illustrates how changing relationships between the Chair and CEO are negotiated. It shows that the process is not linear, but rather one which has ups and downs, and that the various actors can learn from each other and develop governance capability together.

During periods of stability, Board-CEO relationships become patterned and people accommodate to one another. When the time comes for transitions to the next stage, established relationships are tested by new internal and external changes. Both boards and CEO may find themselves in unknown territory. If boards lack experience and are insufficiently engaged to read the signs that signal a need for change, it will be the CEO who suggests, prods, promotes, and even dictates preparation for transition. If the CEO is insufficiently experienced to take an organization forward, it will be the board's role to make an appropriate diagnosis of what is needed for the future.

Building stakeholder networks

Knowledge of the sector needs to take into account constellations of related stakeholder interests. For some agencies, church affiliation and church politics play a big part in providing a membership or supportive constituent base, or shaping acceptable activities; for others, knowledge of where sponsorship money might be found amongst the commercial sector, or what service outreach meets the criteria of philanthropic bodies is also part of the wider picture of the dynamics of

each sector segment. Dissemination of such knowledge across the board is an important attribute of collective capability. Board members bring to their work their own knowledge of networks of relationships that can potentially be tapped into for the wider good of the organization – as a source of membership, funding, encouragement, professional advice and so on. Collectively these constitute a major strategic resource for the board as a source of influence and strategic positioning. As a resource for building social capital, influence and reputation, networks can be identified as important spheres of influence.

The positioning of an organization within its sector is a strategic decision. It determines which other players are allies or competitors, and determines the scope of action an organization can reasonably expect to service. The question of who is an ally or a competitor is made complex because of funding policies. Agencies that would naturally collaborate in, for example, the fight against child poverty, may find themselves in competition with these same organizations in competition for funding. Relative positions that organizations hold within a particular sector will consolidate or reconfigure as creative solutions to the competitive/collaborative dilemma are sought.

Many nonprofits rely heavily on government funding provided through contracts for service. An organization's history of contractual relationships can be an important factor in determining future success in contract bidding. Contracts for service are contestable and require an agency to demonstrate that it has the appropriate capacity and capability to provide the service securely. This includes adequate governance. Agencies entering into contracts must be 'competent parties', that is, having the legal status and informed capability to enter into such an agreement. This expectation, however, does not always result in the best governance practice as the CEO of a Social services agency explained:

“With the rise and rise of the contractual environment we are dealing with high level statutory contracts and a lot of those have been signed off and not understood by organizations. As soon as you get into that sort of contractual environment the need for good governance becomes paramount. It's all funding driven. They [board] don't know what they are actually signing into and governance doesn't reflect that.”

Over dependency on government contracts leaves an organization vulnerable to changes in government policy, but can also be a trigger to stimulate discussion about alternatives, in particularly preparing for the possibility of diversifying outputs and client/consumer groups. Chasing contracts merely for the sake of gaining access to funding has consequences on capacity and capability and, for the

board, risk and consequence management. Fiscal management of the organization and searching out of contractual opportunities is the work of management, but board members need to be able to assess the adequacy of capacity and capability within the organization to deliver contractual obligations, and the risk factors these impose, across all of the work that the agency undertakes. Such an assessment is not on the viability of separate contracts (for which the board is responsible) but for the viability of the whole organization. It is about ensuring that the organization's structure and systems are robust enough to withstand the challenges of current and future conditions.

CONCLUDING COMMENTS

The shift from a voluntary association to an agency marks a fundamental change in the form of the organization and its governance. As complexity grows, so does the need for new skills and new ways of thinking. We argue that the skills, knowledge and general capabilities required of the responsible governing body going forward, are not the same skills knowledge and activities that were relevant for the association. External institutional pressures (for example, contractual and accountings relationships, and legislative requirements) and internal, managerial demands for more formalized behaviour require from the board to develop adequate criteria to choose people appropriate for the new governance work and to abandon old patterns of recruitment (e.g., friends, Old Boys network, and available volunteers). Our research shows, however, that new board members are seldom adequately inducted into the workings (processes, policies and protocols) of the board, nor are their legal obligations fully explained to them. Institutionalized behaviour or 'the standard way of doing things' (Judge and Zeithaml, 1992) establishes (formal and informal) boundaries within which the board continues to operate and steer organizational development towards the stage of consolidation or stagnation.

As an agency, a nonprofit organization needs to position itself in terms of its specific intentions, concepts of strategic change, and its relationships with other players in field – be they stakeholders, public or private contributors, allies or competitors, funders or beneficiaries, and society at large. The board and the CEO/GM play pivotal roles in engaging in strategic discussions across multiple stakeholders – communities of practice, professionals in the field, related organizations, government and local authority bodies, commercial enterprises, as well as independent thinkers and visionaries. By deepening commitment to mission beyond operational expression to creating value for the long-term future, organizations are challenged to think afresh of what lies at the heart of their strategic intent. We further indicate that the role of Chair is crucial in forging a

link between management and board. The Chair needs to provide strategic leadership and a longer term perspective on how operational tasks should express the mission of the organization. An open trusting relationship between Chair and CEO/GM provides opportunity for mentoring the manager, protection from board interference, and appropriate review of performance. The Chair also leads selection of new board members, builds capability in individual and collective board functioning and sets the climate within which decisions are made and values upheld.

Finally, our research reveals that the shift from association to agency signals the introduction of different set of relationships within and outside the organization and different sets of expectations as to outcomes. The introduction of management and formal structures ('professionalization') should not be taken as a short-hand for the imposition of a 'business model'. There are several different models of management appropriate for the nonprofit environment, and whilst management implies the introduction of systems and practices designed to bring efficiencies and effectiveness, this does not mean that 'for profit' values alone pertain.

Our study advances the understanding of governance work in nonprofit organizations by focusing on the challenges of responsiveness and intentionality in the board's functioning. We show that to meet these challenges responsible bodies need appropriate attributes of capacity and collective capability that go much deeper than focusing on the efficient and effective use of resources and setting of policies. Many organizations in our study based their understanding of governance on the work of John Carver. Our interpretation of the new work that governance is required to bring challenges some of Carver's perspectives. In particular we argue for a close partnership (rather than the traditional governance/management separation) between governing bodies and CEO/senior management as a source of generative and creative activity and direction finding. The concept of generativity as the basis for 'governance as leadership' (Chait, Ryan and Taylor, 2005) fits closely with our understanding that discernment of what to do in situations where the answers cannot easily be discovered is key to strategic thinking and collective strategic decision making. On the basis of board members' individual attachment to deep values and meanings, a board collectively provides the template and leadership for strategic decision making and future development.

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DISCUSSION QUESTIONS:

1. Has the organization developed operational systems and protocols to match innovate services and projects, and to allocate resources across the organization? Has the board discussed the match between current operations and future developments in order to 'manage' risk and consequences?
2. Are the intentionality and mission held over the longer term (3-5 years)?
3. Do the board composition and recruitment processes bring in requisite skills for strategic direction finding? Does the board recruit people with strategic thinking capabilities?
4. Does the board intentionally recruit people for governance needs? Is there a balance of sector knowledge with professional skills that add value to the board? How are the issues of representation and participation defined and agreed? Is the senior management team well-appointed and is the CEO strong strategic thinker?
5. What are the major characteristics of board-CEO relationships in the organization? What are the strengths and what are the weaknesses? Does the current relationship allow for strategic development with board championing value for the future and management according professional autonomy in operations?
6. Has the organization developed strong relationships with the key stakeholders and alliances within the sector? Does the board carefully scrutinize changing trends and develop strategies for use of wider networks to enhance reputation and sustainable relationships in particular economic and political climate?

BIOGRAPHY

Dr Ljiljana Eraković is a Senior Lecturer in the Department of Management and International Business, University of Auckland Business School. She received her PhD in Management from The University of Auckland. Her research interests include governance of non-profit organizations, corporate governance and public sector management. She has published research in *Public Administration Review*, *British Journal of Management* and *Journal of Business Ethics*, and presented her work at various international conferences.

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