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**What makes boards effective? An examination of the relationships between board inputs, structures, processes and effectiveness in non-profit organisations<sup>1</sup>**

(A pre-publication version of an article published in *Corporate Governance: an International Review*, 2001)

*Chris Cornforth*

*Open University Business School,*

*Walton Hall,*

*Milton Keynes, MK7 6AA, UK.*

*Tel: +44-1908 -655863*

*Fax: +44-1908-655888*

*E-mail: [c.j.cornforth@open.ac.uk](mailto:c.j.cornforth@open.ac.uk)*



*Based on a survey of charity boards in England and Wales this paper examines what influence board inputs, structures and processes have on board effectiveness. The findings provide mixed support for the normative literature on board effectiveness. Using stepwise logistic regression the research suggests that board inputs and three process variables are important in explaining board effectiveness, namely: board members have the time, skills and experience to do the job; clear board roles and responsibilities; the board and management share a common vision of how to achieve their goals; and the board and management periodically review how they work together.*

Key words: non-profit organisations, charities, governance, board effectiveness, board inputs, board structures, board processes.

## **Introduction**

On both sides of the Atlantic the governance of voluntary and non-profit organisations has long been regarded as problematic. As Middleton (1987) and more recently Harris (1999) note staff in non-profit organisations seldom seem to be satisfied with the performance of their boards. Boards are either accused of meddling in the affairs of management or conversely that they are not involved enough. A variety of governance failures have received a good deal of media attention and raised concerns among the public, government and regulators about the effectiveness of non-profit governance (Gibelman and Gelman, 2000).

In response to the perceived problematic nature of governance there has been a growing literature on the effectiveness of governing bodies in non-profit organisations, particularly in North America. As Bradshaw et al (1992) note much of this literature has been prescriptive in nature and draws largely on personal experience and anecdote, but there is now a growing base of systematic empirical investigations into board effectiveness. This paper aims to contribute to this emerging literature.

The paper focuses on the question of what makes boards effective. In particular it examines the contribution that various aspects of board structure, processes and inputs make to the effectiveness of boards. Various aspects of board structure are examined, including: board size, the number of sub-committees and the existence of written job descriptions. The board processes examined include the extent to which the board and management share a common vision, clarity of the board's role, ability to handle conflict constructively, meeting practices, and board review procedures. The inputs are the mix of board members' skills and experience and board members' time.

These issues were examined as part of a national survey of the boards of charities in England and Wales carried out in summer 1999. Data was gathered using a postal questionnaire sent to a stratified sample of approximately 2800 charities. Over 700 responses were received – a response rate of about 26%. The sample was constructed by drawing random samples from various income strata of the register of charities kept by the Charity Commission for England and Wales. The person responsible for servicing the board completed the questionnaire for each organisation.

## **Board effectiveness – perspectives and approaches**

Given the widespread concerns about the performance of non-profit boards it is perhaps not surprising that there has been a growing ‘practitioner oriented’ literature offering prescriptive advice. This growth has been particularly apparent in the US, where notable examples include O’Connell (1985), Houle (1989), Carver (1990), Bowen (1994), Ducca (1996), Block (1998) and the many publications from the National Centre for Non-profit Boards. Some of these approaches have also been influential in the UK, in particular Carver, but there have also been various practical handbooks on governance based on UK experience, for example Kirkland (1994), Adirondack (1999), and Nunan (1999).

Although these studies don’t promote one model of an effective board there is a great deal of similarity between the different prescriptions. In his review of the field, Herman (1989) draws out what he saw then as a number of widely agreed prescriptive standards for boards. These include various board processes such as the need to systematically assess the composition of boards and the skills needed, systematic and rigorous board recruitment, information and training for new board members, processes that encourage board member participation, regular processes to review board performance and board member commitment of time. He also identified what are the board’s chief tasks or functions, including: selecting and monitoring the chief executive, setting the organisation’s mission, developing strategy, approving policies and budgets, ensuring the organisation has the necessary resources. His general summary would seem to still hold true today.

This prescriptive, practitioner-oriented literature has been criticised from two directions. Herman (1989) and other later writers (e.g. Cornforth, 1996) have suggested that the gap between prescription and the reality of boards is often so large, it is likely to be seen as unrealistic and lose its motivating force. Others have criticised the lack of systematic empirical evidence for these prescriptive models, for example Jackson and Holland (1998:159-60) argue:

‘...close inspection of this literature reveals it is almost entirely based on subjective individual experience and anecdotal evidence. It fails to provide any systematic, empirically tested basis for setting standards, measuring performance, or examining the extent to which board performance may affect the work of the organization.’

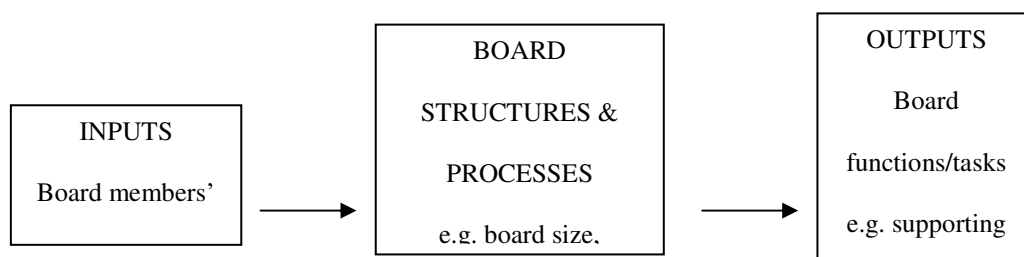
Since the late 1980's there has been a slow but steady trickle of systematic empirical studies examining non-profit board performance, most notably Chait et al (1991), Bradshaw et al (1992), Green and Griesinger (1996), Herman et al (1997), Jackson and Holland (1998), Herman and Renz (1998). Broadly speaking these studies have been concerned with the relationship between three sets of variables: various board characteristics, board performance/effectiveness and organisational effectiveness. However they have differed quite widely in terms of the board characteristics they have focused on, how they have measured board performance and the empirical approach they have taken.

Bradshaw et al (1992) focused on the relationships between *board structures* and *processes* and *board performance*, and between *board performance* and

*organisational effectiveness*. Chait et al (1991) sought to identify *board competencies* or behaviours that were associated with board effectiveness. Six broad competencies were found. Subsequently a Board Self-Assessment Questionnaire (BSAQ) was developed to assess the six competencies. Jackson and Holland (1998) examined this instrument's reliability, validity and sensitivity, and its relationship with organisational effectiveness. Green and Griesinger (1996) study focuses just on the relationship between *board performance* and *organisational effectiveness*. Herman et al (1997) examine the relationship between *recommended board practices* and board effectiveness and between *board effectiveness* and *organisational effectiveness*. Herman and Renz (1998) examined the relationship between various factors including board effectiveness and prestige and organisational performance.

### **Conceptual framework**

Unlike these previous studies the focus of this research was on board performance and the factors that influence it, rather than on the relationship between board performance and organisational effectiveness. As the brief review above shows a variety of different factors have been proposed that affect board performance. In order to bring some clarity to this situation, we developed the conceptual framework outlined in figure 1.





*Figure 1: Influences on board performance*

Following Dulewicz et al (1995), who studied corporate boards, we conceptualised board performance in terms of a simple input-output model. The main outputs of the board are the various functions or tasks the board performs. Drawing on various normative models of boards, particularly Garratt (1996), five broad roles are defined: strategic direction and policy making; external accountability and relations with stakeholders; supervising and supporting management; stewardship of the organisations resources; and board maintenance. These are broken down into seventeen board functions.

The two main inputs are the board members' *skills and experience*, and the *time* they are able to devote to their role. These inputs are transformed into outputs through the board's structures and processes. We were influenced heavily by the work of Bradshaw et al (1992) in conceptualising board structures and processes. *Board structures* are conceptualised as processes that have become formalised and codified, and that subsequently constrain board processes and behaviour, for example board *size*, the *existence of sub-committees*, the *frequency of meeting* and the existence of *job descriptions* for board members. Board processes include how *board meetings are conducted*, the *clarity of board roles*, the extent to which a *common vision* for the organisation exists, the ability to *manage conflict* within the board and between the board and staff, the *quality of communication* between the board and staff, and

whether boards and managers periodically *review* how they work together. An overview of the different variables involved in the study is given in Table 1.

Table 1: Variables involved in the study

Inputs	Structures	Processes	Outputs (functions)
<ul style="list-style-type: none"> <li>• The right mix of <i>skills</i> and <i>experience</i></li> <li>• Board members have the <i>time</i> to do the job well</li> </ul>	<ul style="list-style-type: none"> <li>• <i>Size</i> of board</li> <li>• <i>Frequency</i> of meeting</li> <li>• Percentage of board members that usually <i>attend</i> meetings</li> <li>• Pressure/absence of formal <i>sub-committees</i></li> <li>• Availability of written '<i>job descriptions</i>' for board members</li> <li>• Availability of <i>induction or training</i> for new board members</li> </ul>	<p><b>Common vision:</b></p> <ul style="list-style-type: none"> <li>• The board and management share a common vision of what the organisation is trying to achieve</li> <li>• The board and management share a common vision of how it should go about achieving its goals</li> </ul> <p><b>Clear roles and responsibilities:</b></p> <ul style="list-style-type: none"> <li>• The board has a clear understanding of its role and responsibilities</li> </ul> <p><b>Regular Review:</b></p> <ul style="list-style-type: none"> <li>• The board and management periodically review how they are working together</li> </ul> <p><b>Communication:</b></p> <ul style="list-style-type: none"> <li>• Communication between the board and management is good</li> <li>• Misunderstandings are rare between the board and management</li> </ul> <p><b>Managing Conflict:</b></p> <ul style="list-style-type: none"> <li>• The board and management are able to solve conflict between themselves constructively</li> <li>• Board members are able to resolve conflict between themselves constructively</li> </ul> <p><b>Meeting Practices:</b></p> <ul style="list-style-type: none"> <li>• The board has adequate notice of important issues to be discussed at board meetings</li> <li>• Board meetings have a clearly structured agenda</li> <li>• Important items are prioritised on board agendas</li> <li>• Board meetings run on too long</li> <li>• It is clear who has responsibility for following up actions agreed by the board</li> <li>• The board has trouble reaching conclusions</li> </ul>	<p><b>Strategy and Policy Making:</b></p> <ul style="list-style-type: none"> <li>• Setting the organisation's <i>mission</i> and <i>values</i></li> <li>• Reviewing and deciding the organisation's <i>strategic direction</i></li> <li>• Setting organisational <i>policies</i>, e.g. health and safety, equal opportunities</li> </ul> <p><b>Stewardship:</b></p> <ul style="list-style-type: none"> <li>• Overseeing the <i>financial management</i> of the organisation</li> <li>• Ensuring the organisation has adequate <i>financial systems</i> and procedures</li> <li>• <i>Monitoring organisational performance</i> and taking action when required</li> </ul> <p><b>Supervising and Supporting Management:</b></p> <ul style="list-style-type: none"> <li>• <i>Selecting and monitoring</i> the organisation's <i>chief executive</i> or <i>senior staff</i></li> <li>• <i>Supporting and advising management</i></li> </ul> <p><b>Board Maintenance:</b></p> <ul style="list-style-type: none"> <li>• <i>Recruiting</i> new board members</li> <li>• <i>Reviewing board performance</i> and ensuring it works well</li> </ul> <p><b>External Relations and Accountability:</b></p> <ul style="list-style-type: none"> <li>• Ensuring that the organisation fulfils its <i>legal obligations</i> e.g. submitting annual returns</li> <li>• Ensuring <i>accountability</i> to the organisation's stakeholders e.g. funders, staff, users and the public</li> <li>• <i>Representing</i> the interests of <i>stakeholders</i> in the organisation</li> <li>• <i>Taking charge</i> when things go wrong</li> <li>• Acting as a <i>link</i> with important groups/organisations your organisation deals with</li> <li>• <i>Representing</i> the organisation <i>externally</i></li> <li>• Helping to <i>raise funds</i> or <i>other resources</i> for the organisation</li> </ul>

## **Methodology**

Data for this study came from a postal survey of charities in England and Wales carried out in the summer of 1999. This survey was part of a larger study, which as well as examining board effectiveness, was designed to gather some basic demographic data about charity boards and examine how boards were changing over the last three years (see Cornforth and Simpson, 2000; Cornforth, 2001 for more details). In this paper we focus on presenting the results concerning board effectiveness.

### *Population and sample*

The population chosen for study was registered charities in England and Wales. All such charities have to register with the Charity Commission (CC) for England and Wales and submit annual returns. Basic data about each charity, including its income, is kept on the CC's register of charities. The population of charities is very skewed with 70% of charities having an income of £10k or less. As a result we constructed a stratified random sample using this register. Following the banding used by the CC we divided the charities into six main income bands: less than £10k, £10k - £100k, £100k - £250k, £250 - £1m, £1m - £10m and greater than £10m. A random sample of 500 charities was selected from each of the income bands apart from the £10m plus band where all organisations were selected (approximately 270 charities).

The CC's register includes a named respondent for each charity and a contact address. Unfortunately the register does not include the position of the respondent in the organisation. The questionnaire was sent to the respondent with a covering letter asking that the questionnaire be passed on to the person who serviced the board for

completion. It was felt that this person was likely to have a good knowledge of the board and be more dispassionate than other role holders would be, such as the chair or chief executive. Equally, many small organisations without paid staff do not have a chief executive. However, as we could not be sure who would fill in the questionnaire, or what other roles they might hold, the questionnaire included a question about what roles the respondent undertook. This meant we could compare the responses of different types of respondent

The postal questionnaires were sent to a total of 2797 charities. Returns were received from 737, a response rate of 26%.

### *Measuring board performance*

A variety of different approaches have been used in previous studies to assess or measure board performance. Given the difficulty of defining common goals for boards these have usually adopted a decision process approach (Green and Griesinger, 1998), and focused on the internal processes (means) organisation's use to achieve their ends. The most common approach has been to identify various board functions and then to assess how well these functions are being performed. For example Bradshaw et al (1992) define two subjective measures for boards. The first was a single-item scale that measured respondents overall satisfaction with board performance. The second was a multi-item scale that asked respondents to rate how satisfactorily the board performed seven board functions. Green and Griesinger (1996) adopted a slightly different approach. Based on the normative literature they identified nine broad functions of boards. A multi-item scale was then constructed for each broad function. Because of the limitations of self-evaluation they asked

respondents how involved the board was in each of the functions. Herman and Renz (1998) used a multi-item scale developed by Slesinger (1991) to enable boards to assess their own performance. This identifies 11 broad functions, which in turn are measured by multi-item scales.

Like Bradshaw et al (1992) our approach to measuring board effectiveness involved two measures: a single and a multi-item scale. The single item scale asked 'overall how effective would you say your governing body is' using a 4 point Likert type scale ranging from 'very effective' to 'not at all effective'. The multi-item scale focused on board functions or tasks. However, it was decided not to follow previous approaches exactly. The scales used by Griesinger and Green (1996) and Herman and Renz (1998) had too many items to be easily incorporated into our survey, which included questions on a variety of other aspects of boards. In contrast we felt that the multi-item scale of Bradshaw et al included too few items. Our scale included seventeen items, which could be grouped together under various board roles (see Table 1). For example the function of 'overseeing the financial management of the organisation' is part of the stewardship role. Again how effectively these functions were performed was measured using a four point Likert type scale.

Another difference between previous empirical studies of board effectiveness concerns who judges board performance. Bradshaw et al's (1992) respondents were the chief executives of non-profit organisations. Others have argued for a multi-stakeholder approach because different stakeholders are likely to have different goals and consequently judge effectiveness differently. Green and Griesinger (1996) used combined scores of board members and contrasted this with scores from chief

executives. Herman and Renz (1998) collected data from board members, chief executives and funders. There is something of a trade off here between the number of organisations surveyed and whether a multi-stakeholder approach is taken. Those that have taken a multi-stakeholder approach have tended to focus on a relatively small sample of organisations, whereas Bradshaw et al, who used a single respondent in each organisation were able to survey a much larger sample.

As discussed above we decided to collect data from one respondent in each organisation, this was the person who serviced the board. Our choice of approach was constrained by the fact we were already committed to undertaking a large-scale survey of charities in order to gather data about board characteristics and change. Also we only had one named respondent in each organisation and were concerned that a process that involved the respondent sending further questionnaires to board members and other stakeholders would be more complex, expensive and likely to lead to a low response rate.

#### *Other measures*

The *structural* aspects of boards we examined were: board size (measured by the number of board members), number of meetings a year, the use of sub-committees, the availability of job descriptions for board members, and the availability of induction or training for new board members. The last three variables were measured on a simple yes/no scale.

Two board inputs were measured whether 'the board had the right mix of *skills and experience*' and whether 'board members are able to give the necessary *time* to do the

job well'. Each was measured using a five point Lickert scale ranging from 'strongly agree' to 'strongly disagree'.

Fourteen board processes were measured grouped together in six areas (see Table 1). Each process was measured using a five-point Lickert scale measuring the extent of agreement or disagreement with a give statement. For example, the *clarity of the board's role* was measured by responses to the statement 'the board has a clear understanding of its role and responsibilities'.

## **Results**

### *Phases and methods of analysis*

Data analysis consisted of three broad phases. First cross tabulations were produced and the various Likert scales were examined to see if they could be treated as continuous, and decisions made about how to treat missing data. Second, correlations were computed to examine the degree of association between the independent variables and between them and overall effectiveness. Thirdly, stepwise logistic regression was carried out in order to assess which factors 'best explained' variations in board effectiveness. The final regression model was built up by adding in variables from each of the three groups of explanatory variables in turn.

### *Board effectiveness measures*

In order to simplify the analysis we decide to recode the overall effectiveness variable (originally a 4-point Likert type scale) into a dichotomous variable so that boards were classified as effective or not effective. This new variable then formed the basis for the later logistic regressions.



In order to assess what was the most appropriate measure of effectiveness to use we compared our two measures, i.e. the overall effectiveness measure, with the multi-item scale, which measured how effectively different board functions were performed. An average score was computed for the second of these measures. The relationship between this average measure and our overall effectiveness measure was examined using correlation and regression analysis. The two measures were strongly related. In order to understand which variables (functions) had most impact on overall effectiveness we conducted a stepwise logistic regression. The resulting regression model is shown in Table 2. This shows those variables that have a significant impact on overall effectiveness at the  $p < 0.05$  level. The adjusted odds ratio shows the relative impact of each of the different variables in the model, taking into account interaction effects between the variables. The simple odds ratio shows the impact of each variable entered singly into the regression and does not take account of interactions.

Table 2: Regression model showing the role of effectiveness measures in explaining overall effectiveness

Pseudo R<sup>2</sup> = 61%

N. of obs. = 450<sup>1</sup>

<b>Variables</b>	<b>Simple Odds Ratio</b>	<b>95% Conf. Interval</b>	<b>Adjusted Odds Ratio</b>	<b>Signif. Level</b>	<b>95% Conf. Interval</b>
Effect 1	8.02	5.47 - 11.75	3.17	0.001	1.65 - 6.07
Effect 2	9.02	6.02 - 13.52	2.20	0.020	1.13 - 4.27
Effect 5	5.35	3.87 - 7.40	2.95	0.000	1.72 - 5.07
Effect 11	8.77	5.72 - 13.46	2.19	0.014	1.17 - 4.10
Effect 17	3.85	2.77 - 5.35	3.12	0.000	1.84 - 5.30

Notes:

Effect 1 = Setting the organisation's mission and values

Effect 2 = Revising and deciding the organisation's strategic direction

Effect 5 = Overseeing the financial management of the organisation

Effect 11 = Reviewing board performance and ensuring it works well

Effect 17 = Helping to raise funds or other resources for the organisation

<sup>1</sup> Simple odds ratio estimates are based on all observations available for the estimation – a minimum of 525 observations

The regression analysis shows five components that best explain judgements of overall effectiveness. In order of importance they are - how effectively the board carries out the following functions: *setting the organisation's mission and values; helping raise funds or other resources for the organisation; overseeing financial management; reviewing and deciding strategic direction; and reviewing board performance.* Together these five variables account for about 61% of the variation in overall effectiveness.

Given the strong relationship between our two measures of effectiveness, we decided in the subsequent analysis to just use the overall effectiveness measure.

#### *Board inputs and board effectiveness*

Data was gathered on two board inputs: whether boards had the right mix of *skills and experience*, and board members had the *time* to do the job well. The analysis showed that both these variables were significantly and strongly correlated with each other (correlation coefficient 0.574, significant at the  $p < 0.01$  level), and with board effectiveness.

We then carried out two stepwise logistic regression analyses. First we entered both variables separately into the regression. Both variables were significant and between them explain about 33% of the variance in effectiveness. But because of the high correlation between the variables we suspected both might be measuring similar things and so we carried out a second regression analysis using the average and the difference between the two variables. In this case only the average value was significant, and again explained about 33% of the variance in effectiveness. As a result we decided to use this new composite variable, the *input average*, in the final regression analysis.

#### *Board processes and board effectiveness*

The various process variables were cross-tabulated with overall effectiveness to see if linear trends emerged and the data from the various Likert scales could be treated as continuous. This was not the case for all variables, so in the subsequent stepwise logistic regression these variables were treated as categorical. The correlation matrix

showed that all the process variables were significantly correlated with overall board effectiveness and with each other.

The stepwise logistic regression analysis identified four process variables that best explained variances in overall board effectiveness (see Table 3). These were in order of importance:

- Process 3 – the board has a clear understanding of its role and responsibilities.
- Process 2 – the board and management share a common vision of how it should go about achieving its goals.
- Process 4 – the board and management periodically review how they are working together.
- Process 8 – the board members are able to resolve conflict between themselves constructively.

Together these four variables were able to explain about 43% of the variance in board effectiveness.

Table 3: Regression model showing the role of individual board processes in explaining overall effectiveness

Pseudo R<sup>2</sup> = 43%

N. of obs. = 596<sup>1</sup>

Variable	Simple Odds Ratio	95% Conf. Interval	Adjusted Odds Ratio	Signif. Level	95% Conf. Interval
Process 2	4.85	3.51 - 6.70	1.83	0.003	1.22 - 2.75
Process 3	5.98	4.39 - 8.15	3.48	0.000	2.38 - 5.11
Process 4	2.84	2.29 - 3.52	1.69	0.000	1.28 - 2.23
Process 8	3.04	2.36 - 3.92	1.44	0.033	1.03 - 2.01

Notes:

Process 2 = The board and management share a common vision of how it should go about addressing its goals.

Process 3 = The board has a clear understanding of its role and responsibilities.

Process 4 = The board and management periodically review how they are working together.

Process 8 = Board members are able to resolve conflict between themselves constructively.

<sup>1</sup> Simple odds ratio estimates are based on all observations available for the estimation – a minimum of 640 observations.

*Board structures and effectiveness*

The first stage of the analysis was to check the frequency distributions for the non-dichotomous variables to ensure they approximated normal distributions. The size of the board was heavily skewed towards the small end of the scale, we therefore decided to take the log of this variable, which was normally distributed. The variables concerning the frequency of board meetings and board attendance were also skewed. In both cases new variables were created by regrouping the data into new categories. For example the attendance variable, the percentage of board members attending meeting, was regrouped into three categories <50%, 50-75%, and >75% attendance.

Only one structural variable measuring ‘board member attendance at meetings’ was significantly but relatively weakly correlated with board effectiveness. When entered into the logistic regression this variable explained about 6% of the variance in effectiveness.

### *The final model*

In order to produce a final model of factors related to board effectiveness, we carried out a final stepwise logistic regression entering the different input, process and structural variables that had previously been significant in explaining the variance in board effectiveness. The output from the regression is shown in Table 4. In the final model two variables dropped out – the structural variable concerning board attendance, and the process variable concerning the boards ability to resolve conflict constructively. Four variables remained and provided the best explanation of the variance in board effectiveness. They were in order of importance:

- Process 3 – the board has a clear understanding of its role and responsibilities.
- Input average – the board has the right mix of skills and experience, and board members had the time to do the job well.
- Process 2 – the board and management share a common vision of how it should go about achieving its goals.
- Process 4 – the board and management periodically review how they are working together.

Together these four variables accounted for 45% of the variance in board effectiveness.

Table 4: Final regression model showing the role of individual measures in explaining overall effectiveness

Pseudo  $R^2 = 45\%$

N. of obs. = 634<sup>1</sup>

Variable	Simple Odds Ratio	95% Conf. Interval	Adjusted Odds Ratio	Signif. Level	95% Conf. Interval
Process 2	4.85	3.51 - 6.70	1.82	0.003	1.23 - 2.70
Process 3	5.98	4.39 - 8.15	2.74	0.000	1.86 - 4.04
Process 4	2.84	2.29 - 3.52	1.69	0.000	1.27 - 2.23
Input average	3.42	2.66 - 4.40	2.17	0.000	1.51 - 3.12

Notes:

Process 2 = The board and management share a common vision of how it should go about addressing its goals.

Process 3 = The board has a clear understanding of its role and responsibilities.

Process 4 = The board and management periodically review how they are working together.

Input average = The average of 1) the board has the right mix of skills and experience and 2) the necessary time to do the job well.

<sup>1</sup> Simple odds ratio estimates are based on all observations available for the estimation – a minimum of 640 observations.

**Discussion and Conclusions**

The main focus of the study was on the relationship between board inputs, processes, structures and board effectiveness. However, before discussing these results it is worth focusing briefly on the findings concerning how respondents judged board effectiveness and the relationship between the two measures of board effectiveness.

We found that overall judgements of board effectiveness were strongly related to how

effectively the board was judged to perform various functions. In particular regression analysis suggested that how well boards performed five functions was most important in explaining overall effectiveness. These functions are in order of importance: *setting the organisation's mission and values; helping raise funds or other resources for the organisation; overseeing financial management; reviewing and deciding strategic direction; and reviewing board performance*. Although the variable *reviewing and deciding strategic direction* was not the most important variable in this regression model, it did have the most impact when considered separately from the other variables. This might help to explain the finding from the study by Bradshaw et al (1992) that the most important determinant of board effectiveness is board involvement in strategic planning. (In their study involvement in strategic planning was regarded as process variable and accounted for 30% of the variance in board effectiveness.) If strategic planning is regarded as the most important function of boards, then the involvement of boards in strategic planning is likely to be seen as a key factor in board effectiveness.

In general, structural variables were not important in explaining board effectiveness. Only one structural variable was significantly correlated with board effectiveness, and that was the level of *attendance* of board members at meetings. However, even this variable dropped out of the final regression model. There are striking similarities with the Bradshaw et al's study here, which also found structural variables were relatively unimportant in explaining board effectiveness. They only found one significant structural variable, which was the degree of board formalization. Like them we found that board size and horizontal complexity (i.e. whether boards had sub-committees) unrelated to board effectiveness, which contradicts aspects of the normative literature.



Perhaps even more surprisingly neither written ‘job descriptions’, nor the availability of induction or training programmes for board members, were significantly related to board effectiveness. Again not supporting important aspects of the prescriptive literature.

Unlike the structural variables all the input and process variables were significantly correlated with board effectiveness and with each other. The stepwise logistic regression suggested that four variables explained 45% of the variance in board effectiveness. These were in order of importance:

- the board has a clear understanding of its role and responsibilities.
- the board has the right mix of skills and experience, and board members had the time to do the job well.
- the board and management share a common vision of how it should go about achieving its goals.
- the board and management periodically review how they are working together.

These findings lend support to some of the main recommendations of the normative literature on boards. One of the main thrusts of much of this literature is clarifying board roles and responsibilities. There is also increasingly an emphasis on improving board recruitment practices, ‘recruiting’ board members not just because they are enthusiastic but because they have the right skills and experience, and the time necessary to do the job. Also the importance of boards’ reviewing how they are working is widely recognised. The National Centre for Non-profit Boards in the USA (Slesinger, 1991) and the National Council for Voluntary Organisations in the UK

(Balkam, 1994) both produce board self-assessment questionnaires that can be used by boards to help review their performance. One slight difference here is that our findings suggest that boards and management should review how they work together. This supports findings from a previous in-depth study of four boards where we observed that such reviews appeared to be a key indicator of effectiveness (Cornforth and Edwards, 1998). The remaining variable – that board and management share a common vision – was also found to be significant by Bradshaw et al, although much less important than involvement in strategy. (Involvement in strategy making was not included in our study as a process variable, because we regarded it as an output of the board, so it is difficult to compare our findings with Bradshaw et al in this respect. Although as we discussed earlier, how boards performed their strategic role was strongly related to judgements of overall board effectiveness.)

Some care is needed in interpreting these findings. There are other possible explanations of the many correlations between board inputs, processes and effectiveness. Perhaps most importantly these could result from ‘common source variation’ i.e. all our responses came from one respondent in each organisation, which may introduce some systematic bias. For example if respondents were aware of the common prescriptions relating to boards, they may have judged boards that follow these prescriptions to be effective irrespective of their actual performance.

Alternatively there may be other causal variables influencing effectiveness, but which are correlated with our board input and process variables. Also the model is designed to fit the sample and there is no guarantee that the same model would result if a different sample were selected. Nevertheless, the fact that a number of our findings

are similar to those of Bradshaw et al (1992), and back up some of the main prescriptions about non-profit boards, increases our confidence in them.

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## **Biography**

**Chris Cornforth** is a Senior Lecturer in Management and Co-Chair of the Public Interest and Non-profit Management Research Unit (PiN) at the Open University Business School. He has published widely on the management and governance of non-profit organisations. Recent publications include: *‘Good Governance: Developing Effective Board-Management Relations in Public and Voluntary Organisations’*, (with C. Edwards), London: CIMA Publishing, 1998 and *Recent Trends in Charity Governance and Trusteeship: the Results of a Survey of Governing Bodies of Charities*, London: National Council for Voluntary Organisations, forthcoming 2001.

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