

PATRICIA DAUTEL NOBBIE

Testing the Implementation, Board Performance and Organizational Effectiveness of the
Policy Governance Model in Nonprofit Boards of Directors

(Under the Direction of JEFFREY L. BRUDNEY)

John Carver's Policy Governance model was developed in response to observations about the dysfunctional and ineffective behavior of boards of directors in fulfilling their governance responsibilities. The model has been widely promoted and taught to thousands of individual nonprofit organizations and over one hundred professional consultants. However, few studies exist that examine in an empirical, systematic way the implementation, performance and effectiveness of the model. This study tests the extent of implementation of the Policy Governance model in a sample of nonprofit boards of directors professing to use it, and changes in board performance following implementation. Further, it examines five measures of organizational effectiveness—goal achievement, internal processes, financial status, CEO job satisfaction and CEO performance-- and their relationship to extent of implementation in the organizations operated under Policy Governance. Finally, the organizational effectiveness of the Policy Governance organizations is compared to two control groups: a sample of organizations trained through the National Center of Nonprofit Boards, and a randomly selected sample of nonprofit organizations drawn from the National Center for Charitable Statistics database.

The study finds that board members implement the components of the Policy Governance behavior to a great extent and finds significant differences between traditional board behavior and behavior associated with the Policy Governance model. Board members and CEOs' responses indicate improvement in board performance since adoption of the model. Implementation is positively influenced by amount of training in the model and length of time the model was used.

Tests of organizational effectiveness in the sample of Policy Governance organizations revealed significant positive relationships between the degree of

implementation of the model and three measures of organizational effectiveness: goal achievement, internal processes, and CEO job satisfaction.

Comparisons of organizational effectiveness between the Policy Governance organizations and the two control group samples revealed that effectiveness measures varied significantly between the experimental sample and the random sample for goal achievement and CEO job satisfaction. However, there were no significant differences between the Policy Governance organizations and the NCNB sample for any of the effectiveness analyses.

The dissertation concludes with recommendations for further study.

INDEX WORDS: Policy Governance, Carver, Nonprofit, Governance, Boards of Directors, Organizational effectiveness

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IN NONPROFIT BOARDS OF DIRECTORS

by

PATRICIA DAUTEL NOBBIE

B.A., Bethany College, 1979

M.A., The University of the Virgin Islands, 1984

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PATRICIA DAUTEL NOBBIE

Approved:

Major Professor: Jeffrey L. Brudney

Committee: Laurence O'Toole
 Hal G. Rainey
 J. Edward Kellough
 Thomas P. Holland

Electronic Version Approved:

Gordhan L. Patel
Dean of the Graduate School
The University of Georgia
December 2001

DEDICATION

This dissertation is dedicated to my parents, my husband Stephen, and especially, my children, Mia, Annie, and Christopher.

My parents sparked my sense of civic duty. My mother led a Cub Scout pack, was involved in PTA, and taught Sunday School among other things. My Dad was a leader in the Church, in Boy Scouts, and other organizations. In their retirement, they both continue to volunteer time and expertise to several organizations. I grew up feeling it was important to contribute to the community in this way. My first experience with boards of directors was as a youth representative on our church's Board of Deacons when my father was serving.

My husband made the leap of faith with me, leaving our home and businesses in the Virgin Islands to move to graduate school in Athens, where he started a business from the ground up—again. At the end of this long project, he shopped and cooked, cleaned and ferried children. I am grateful for his patience and support. Thanks also to his mother, “Grandma in St. Croix” who helped us financially during the move.

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CHAPTER 1

GOVERNANCE ISSUES IN NONPROFIT ORGANIZATIONS

Major Research Questions

As the nonprofit organizational sector has grown, it has become an increasingly viable and acceptable avenue for the delivery of services that are designated for “public benefit.” As a result, government, funders, researchers and the public are examining the efforts of nonprofit organizations with greater scrutiny into their performance and effectiveness. In addition to public benefit organizations, there are numerous organizations that are established for the “mutual benefit” of their members. These organizations are equally accountable for the funds they receive and the services they provide to members. Increasing interest in the performance and effectiveness of nonprofit organizations has drawn attention to how they are governed, and has focused attention on boards of directors. The purpose of this dissertation research is, first, to investigate how a particular governance model is implemented in boards of directors of nonprofit organizations, and second, to examine possible relationships between the implementation of this model and the effectiveness of the board of directors and of the organization.

The model under investigation is the Policy Governance Model, developed by Dr. John Carver. The model has been widely promoted, adopted and discussed in the nonprofit organization arena for nearly twenty years. In a highly prescribed manner, the board drives the organization through policies developed in four areas: ends (mission); executive limitations (acceptable practices for the chief administrative officer); board-staff link (power and accountability relationships); and governance processes (board responsibilities and relationship to those served). According to Carver, the model does

not merely modify traditional board governance practices, it “proposes a sweeping revision, a new conceptual framework” (Carver, 1990, p. xix) to bring new purpose and better performance to board work. Despite its longevity, the model has remained formally unexamined. This study examines implementation of Policy Governance in nonprofit organizations and the possible impacts of the model for board and organizational performance.

Nonprofit organizations have been characterized as the “independent sector” or “third sector,” a designation that sets them apart from the for-profit sector and government. However, substantial evidence shows that these organizations are not completely “independent” from government (Hall, 1987; 1992; Koteen, 1997). A sizable proportion of their income derives from the federal government (Salamon and Abramson, 1981; Hodgkinson and Weitzman, 1996). Government and the nonprofit sector work together in a mixed economy of interdependence and collaboration (Salamon, 1995; Weisbrod, 1988). This state of interdependence increases the importance of research in nonprofit organizations and their governance. Interdependence between the government and nonprofit sectors also justifies researching nonprofit organizations within the broader field of Public Administration.

Relationship between Public Administration and Nonprofit Organizations

Five concepts weave connections between the study of nonprofit organizations and Public Administration and justify the importance of research in nonprofit governance. First, as stated, interdependence in service delivery exists between government and the nonprofit sector. Second, both fields are concerned with accountability, and recognize that differences between the sectors impact the establishment and tracking of accountability relationships. Third, the concept of civic life is broadened and enriched by citizens’ participation in nonprofit organizations. Membership on boards of directors is an important facet of this participation. Fourth, the public and nonprofit sectors face increased challenges in establishing criteria for

evaluation of effectiveness. Fifth, a scholarship connection exists. Research and teaching in nonprofit organizations is established in numerous public administration programs across the country. The following sections of this chapter explicate these important connections, and describe the need for and purpose of the study.

Interdependence Connection

Private, voluntary associations have existed in America since the founding. Their existence as agents of government service delivery provides evidence of the motivations of Americans to avoid large state solutions. Public “administration” was not addressed in the Constitution, but according to Stillman (1991), several unique political concepts contributed to Americans developing a mixed approach to serving the needs of their society: faith in a republican form of government, importance of active citizenship; reliance on self; popular sovereignty tempered by checks and balances; and the tension between majority rule and individual rights. This societal climate left public space for citizens to fill with their own ideas of public services. What was distinctive about this developing aspect of society was the “concrete historical association with a particular institutional culture, a configuration of values, resources, organizational technologies, legal infrastructure and styles of leadership” which originated at the end of the eighteenth century (Hall, 1992, p. 2).

The size and character of this sector of “government by people outside of government” (Hall, 1992, p. 41) was changed and influenced by political trends and historical events and eras (Hammack, 1998). Voluntary associations found support and purpose from religious leaders in colonial New England; during the Civil War when the nonprofit United States Sanitary Commission was hired to provide medical assistance to Union soldiers, from ladies of society who organized orphanages and established agencies to assist free blacks post-reconstruction (Hammack, 1998).

According to Hall (1992, p. 37), during the post-civil war period, “a coherent rationale for the role of private institutions in the democratic polity was finally

articulated” and translated into legislation. A strongly written, detailed defense of Harvard University’s tax exemption presented by Charles W. Eliot was so persuasive that the Massachusetts legislature raised the ceiling on the amount of money that could be exempted from taxes, and also broadened the range of institutions eligible for exemption. The Massachusetts law became a model for other legislators and organization leaders seeking to extend the privileges of private institutions. The effect of this legal support was enormous growth in the use of private, nonprofit organizations in the last decades of the nineteenth century (Hall, 1992).

Much of the growth of charitable organizations in the late 1800's and early 1900's can be attributed to the industrial revolution and concurrent immigration of millions of people from Europe. Local governments were ill-equipped to handle the responsibility of the large population of immigrants, and concerns were raised about the state’s role and ability to administer alms-houses, where the poor, sick, unemployed, widowed and orphaned were “served.” In response to the recognition that there was a significant contrast in the quality of life for the rich and the poor, the charity organization and settlement movement began to flourish (Block, 2001, p. 99). The goal of settlement houses was to provide opportunities for individuals to change their lives and to promote the growth and development of individuals and families. The organizations offered many services such as day nurseries, playgrounds, lecture series, meeting places, advice on civic matters, and counseling.

According to Block, (2001) the Charity Organization Society, an English invention, began its work around the same time as the growth of the settlement house movement. The advocates of the movement were interested in redirecting indiscriminate “almsgiving” to a more “rationalized approach where conscientious thought was given to long term consequences and outcomes” (p. 100). This movement appears to have been the forerunner of the modern philanthropic foundation or corporate contribution. The movement also contributed to the development of organized giving by collecting data

about charitable agencies, and by coordinating the efforts of several charities. The practice of reviewing applications for support, and of extending offers to fund particular efforts was initiated. Increasingly, private business supported the Charitable Organization Society because they expected that private charities would be better administered than public charities (Block, 2001). Several pamphlets and periodicals related to charitable efforts were also published in the early 1900's.

Pre-World War II conditions prompted another spurt in the number of nonprofit organizations (Hall, 1992). The development of “voluntary organizations for altruistic purposes” found support by Herbert Hoover (1922) under Harding’s administration, which resulted in the emergence of a “remarkably coordinated network of private organizations” (Hall, 1992, p. 56) that represented both business and professional interests. Although the New Deal ushered in an era of Big Government solutions to societal problems that could be interpreted as “a lack of faith in the capacity of the voluntary sector as ineffective or insufficient to cope with public needs” (Koteen, 1997, p. 176), these extensive welfare programs were still characterized by patchy coverage, limited funding, and state and local domination (Salamon, 1992, p. 46). A needy class persisted.

The 1960's prompted recognition of the enduring inequities in American society, motivating President Johnson to attempt to complete the social welfare work begun in the 1930's. Some of these programs were enormous additions to the federal support of the needy – medicare and medicaid, preschool education, unemployment insurance, training and housing for the disadvantaged. However, contrary to expectations, the nonprofit sector grew as the state grew. As public aid expanded, it did so in ways that “promoted, rather than displaced” the nonprofit sector (Salamon, 1992, p. 46). The sector “experienced some of its most impressive growth during precisely the era of most rapid governmental expansion” (Salamon, 1995, p. 187).

The nonprofit sector experienced another adjustment when Ronald Reagan came to power on the backs of New Right conservatives who advocated dismantling “big government, high social costs, government meddling, and overregulation” (Koteen, 1997, p. 176). However, they discovered that the Welfare state they advocated dismantling was “a subtly interwoven system of public and private enterprise” (Hall, 1992, p. 7). Not recognizing these fine interconnections between the federal bureaucracy and the service-providing organizations in the third sector, conservative policy resulted in a period of retrenchment during which funding support shifted drastically (Salamon, 1992, p. 48). The decline in overall social service spending was a historic first in thirty years (Rivlin, 1992). Between 1982 and 1986, nonprofit organizations lost a total of approximately 23 billion dollars in federal support compared to what they would have received if 1980 spending levels were maintained (Salamon, 1995). Conservative rhetoric claimed state and local governments would compensate for the reductions made at the federal level, but in reality, state and local funding was also reduced. The effects on the nonprofit sector as a result of Reagan retrenchment were several.

First, the reductions forced nonprofit organizations to become less charitable and more commercial (Salamon, 1995). The locus of the social service system shifted away from the poor to the middle class, with the result that the poorest segments of society were hardest hit. Second, Reagan’s belief that increases in private charitable giving would offset the loss in government support was not confirmed. Giving lagged behind increases in support from commercial income and service fees, practices that accounted for over half the growth in the sector between 1977 and 1989. Third, Hall (1992) adds that the funding shifts and constraints led nonprofit organizations to become more entrepreneurial to broaden their financial support beyond grants and gifts, and to initiate contract and fee-for-service operations.

In response to shifts in financial support, nonprofit management changed to accommodate new marketing and accounting skills needed to run alternative funding

operations. Nonprofit managers were forced to develop “sophisticated awareness of trends in the fields in which they were operating,” and to match this awareness with efforts in advertising, surveying and conducting industry analyses (Salamon, 1995, p. 216). Nonprofit organizations became more sensitive financially to shifts in consumer demand and to increased competition from other service providers. Nonprofit executives faced challenges in personnel management as well. Pressures to upgrade client services to compete successfully in the market were matched by staff demands to upgrade working conditions, pay and benefits. These changes in the service market produced changes in the mission and focus of nonprofits, requiring managers and boards to balance internal pressures (keep mission focus) with external pressures (acquire more resources to accomplish mission) (Salamon, 1995).

The membership composition of boards of directors also adjusted to the changes that occurred during Reagan retrenchment. According to Duca (1996), the changing nature of government - nonprofit contracting forced nonprofit boards to become more political. Two roles of board members identified by Lane (in Duca, 1996) related to advocating for the agency’s political positions on issues, and buffering the agency from regulations, referendums and legislation that would restrict agency activity. Boards increasingly sought business and professional people as members in response to stricter regulations that required compliance with service standards. Boards as well as staff and managers increased the number of members with accounting, marketing and business expertise (Duca, 1996).

As a result of these many factors, the sector, rather than being independent, became more closely wedded to government at all levels (Hall, 1992). The dependence on government funding created new tensions for the sector that are still being realized (Bernstein, 1991; Gronbjerg, 1993).¹

¹In a study of 17 nonprofit organizations in the New York City area, Bernstein found that severe undercapitalization, uncertainty of the annual budget cycle and funding levels, reimbursement-lag time, and frequent changes in regulations requiring changes in

The 1990s require reexamination of the relationship of the sector to government and business. Research conducted during the Reagan years refuted the theoretical catechism that the sector was independent. Scholars acknowledge interdependence and collaboration between the sectors, a point of view “that locates nonprofits in the total organizational universe connected to other sectors of social, political, economic and intellectual activity” (Ostrander and Langdon, 1987). Koteen (1997, p. 179) states

A professionally maturing nonprofit sector is actively working with strengthened state and local entities in carrying out their responsibility for delivering social services. They work together in ways that seek to provide service of quality at least cost. No longer can we rethink federalism and its devolution without considering the role and cost-effectiveness of the nonprofit sector contracting with the governmental systems in the delivery of social services.

Acknowledgment of this interdependence underscores the necessity to undertake research on governance and effectiveness issues. Since services are delivered by different types of providers, and are constrained either by profitability, government regulation or self-regulation, attempts should be made to find out how different organizational and governance structures influence service delivery. Collaboration and interdependence between government and the third sector is evident at many levels of government, covering several functions. For example, nonprofit organizations are funding agencies, such as foundations; entities to enhance professions; member-serving financial collectives; service referral agencies; research organizations, civic, religious and political organizations, organizations that provide a large proportion of social welfare services, and agencies that represent the arts and media, such as National Public Radio.

policy and procedures left some agencies lurching from fiscal crisis to crisis. Gronbjerg (1993) conducted detailed case analyses of social service and community development organizations, explicating the challenges they face in acquiring and maintaining funding from a variety of sources, including several levels of government.

The National Taxonomy of Exempt Entities² classification system, developed to assist researchers and practitioners make sense of the breadth of the nonprofit organization service provision offers evidence of the extensive variability of organizational types. Ten major service provision categories are further divided into twenty-six alphabetical divisions, which are further subdivided into numerical categories. Each sub-division describes a distinct organizational purpose, resulting in a total of 645 classifications (National Center for Charitable Statistics, 1998).

The Accountability Connection

Another way in which nonprofit studies are linked to Public Administration is through conceptions of accountability. Ideas about the accountability of officials in nonprofit organizations emerge from expectations for the behavior of public officials. In a democracy, officials are entrusted to act in a manner appropriate to their official responsibilities, rather than in accord with personal preferences, interests, and pressure from others. Our expectation that they will see themselves as rule-abiding trustees for the polity rather than agents for particular interests is rooted in political rhetoric and rules of political propriety, chiefly constrained by our definition of “public servant” (March and Olsen, 1995, p. 59).

Accountability in the public sector is problematic for several reasons. There are multiple actors and numerous, diverse interrelationships established on the basis of mandates and commitments within and across the different branches of government. Responsibility for outcomes is in many hands. Different stakeholders have different expectations.

Romzek and Dubnick present a framework for examining accountability in the public sector (Romzek & Dubnick, 1987; Romzek & Dubnick, 1994; Radin & Romzek,

²The National Taxonomy of Exempt Entities is a mixed notation organization classification system developed by the Independent Sector, and has been revised and improved since 1982. In 1993, the IRS decided to incorporate the NTEE coding system into its tax exempt classification system in order to standardize coding between the IRS and the nonprofit community.

1996). They broaden the meaning of accountability in public administration to “the means by which public agencies and their workers manage the diverse expectations generated within and outside the organization” (1987, p. 228). Romzek and Dubnick’s model acknowledges that in the American political system, the cultural norm of distrust of concentrated government power makes accountability very difficult to establish. The separation of powers results in performance expectations and accountability relationships arising from diverse sources wishing to promote very different perspectives, roles, and sometimes values (Radin and Romzek, 1996). The manifestation of these norms, appearing in the different degrees and sources of agency control built into governance practices results in a pattern of relationships that varies along two axes: source of control-- whether it is internal or external to the agency--and degree of control--whether it involves a high degree of control and close scrutiny, or a low degree of control and minimal scrutiny (Romzek and Dubnick, 1987, p. 229). A matrix of four types of accountability relationships emerges: bureaucratic, legal, professional, and political (see Figure 1).

According to Radin and Romzek, agencies and administrators generally function under one or two types of accountability on a daily basis while the other types remain underutilized. Under crisis conditions, all four accountability systems may be triggered, and managers may be called upon to answer for their performance under multiple standards of accountability (1996, p. 62). Romzek and Dubnick (1987, p. 230) assert that the application of accountability systems requires a determination of appropriateness,

Source of Agency Control		
Degree of Control Over Agency Actions		
	Internal	External
	1. Bureaucratic	2. Legal
	High Superior / subordinate	Law maker / Law executor / Principal / Agent
Low	3. Professional	4. Political
	Layperson / expert	Constituent / representative

Figure 1: Agency Accountability Systems: Adapted from “Accountability in the Public Sector: Lessons from the Challenger Tragedy.” by Barbara S. Romzek, and Melvin J. Dubnick, 1987, Public Administration Review, 47 p. 229-230. Copyright 1987 by American Society for Public Administration.

linked to the nature of the agency’s tasks (technical level accountability); the management strategy adopted by agency heads (managerial level accountability); and the institutional context of agency operations (institutional level accountability). They contend a public organization should establish accountability mechanisms that can be enacted at all three levels simultaneously, through establishment of protocols and procedures. Inappropriately applied accountability mechanisms can produce faulty decision procedures resulting in tragedy, as Romzek and Dubnick (1987) allege caused the Challenger debacle.

Accountability in the Nonprofit Sector

Nonprofit organizations exist between the market, where accountability is tracked through profitability, and the state, where accountability is manifested in the electoral process. Therefore, it is necessary to build in means of accountability (Leat, 1996). The perception exists that nonprofits are more accountable to the citizenry, or at least “closer to the people,” than for-profits, due to their role as mediating organizations, but this view is not supported empirically. Leat contends that, at least in Great Britain,

the public record on accountability in nonprofit organizations is spotty.³ There is little information on how accountability is defined in the nonprofit sector, what priority is attached to it, and what systems and procedures are in place.

In addition to the reasons for concern over accountability mentioned previously, many nonprofits, in an attempt to survive in an increasingly resource-competitive environment, have taken on a “consumerism” ideology that dictates that the demands of the customer (client) be taken into account. Although the nonprofit sector has prided itself on its responsiveness to consumers, and the ability to uniquely tailor services to needs, there are concerns that organizations can lose their focus on the mission if they are pressured to take on certain programs or clients in order to maintain their resource levels (O’Connell, 1996).

Making these adaptations increases the complexity of accountability in numerous ways. First, identifying to whom or what the organization is accountable is difficult. Second, multiple stakeholders may legitimately require accountability reporting. Third, the distinct approaches used for dealing with the variable demands of multiple constituents may not generate the type or amount of information necessary to satisfy stakeholder accountability needs.

Ultimately, however, management of accountability is a governance issue. The research and literature on the nonprofit sector are relatively weak in this regard. Kearns (1994) notes that notions of accountability in the public sector are more developed as evidenced by researchers cited previously (Romzek & Dubnick, 1987; Romzek & Dubnick, 1994; Radin & Romzek, 1996), as well as other work by Rubin (1990) and Gruber (1987). Kearns makes a significant contribution to the development of accountability in nonprofit organizations by proposing a framework delineating accountability along two dimensions - internal response system (reactive or proactive); and mandate for external control - implicit (de facto) and explicit (de jure) (see Figure 2).

³A 1989 House of Commons Committee on Public Accounts expressed “astonishment” at the lack of public accountability displayed by charities, and subsequent reports were similarly “disquieting” (Diana Leat, 1996, p. 62).

Within the resulting grid, he defines four types of accountability that apply more appropriately to the conditions in nonprofit organizations: compliance (legal) accountability; negotiated accountability; professional/ discretionary accountability; and anticipatory/positioning accountability.

		Mandate for External Control	
		Implicit (De Facto)	Explicit (De Jure)
Internal Response System	Reactive (tactical)	Negotiated Accountability	Compliance Accountability
	Proactive (strategic)	Professional/discretionary Accountability	Anticipatory/positioning accountability

Figure 2: Dimensions of Accountability: From “The Strategic Management of Accountability in Nonprofit Organizations: An Analytical Framework.” Kevin P. Kearns, 1994, *Public Administration Review*, 54, 2, p. 188. Copyright 1994 by the American Society for Public Administration.

These types of accountability enable nonprofit organizations to adapt to shifting environmental conditions, deal proactively with anticipated conditions and strategically advocate for optimal operating conditions. Kearns asserts that the framework has two potential applications: initiating inter-organizational dialogue on a national level toward improving the accountability of the nonprofit sector as a whole, and providing a diagnostic framework for organizations at an individual level whereby they can better structure their accountability procedures (Kearns, 1994).

In sum, the growth and evolution of the nonprofit sector is occurring in ways that demand greater emphasis on accountability. What we know of accountability in the public sector must be expanded to address the characteristics of nonprofit structures.

The Enhancement of Civic Life

The third connection between public administration and nonprofit organizations proposes that participation in the nonprofit sector fosters important civic qualities that are essential to the maintenance of democracy. Although early in the development of the nonprofit sector, society leaders were concerned that private associations formed by

small groups of [particularly] wealthy people threatened democracy by exerting influence disproportionate to their numbers, other segments of society held equally strong beliefs that the existence of such associations was a manifestation of democracy that was essential to citizens' ability to challenge the state. Many scholars feel that the nonprofit sector contributes significantly to enhancing citizen participation, voluntary service and civic responsibility (Hodgkinson and Weitzman, 1996); pluralism (Salamon, 1992); advocacy and empowerment (O'Connell, 1996); the vision of a more just social order (Sherry, 1996); and alternative ideology (James and Rose-Ackerman, 1986).

Nonprofit activity fosters experimentation and pluralism and has been the impetus for major reform; domestic violence, AIDS awareness, disabilities, civil rights, feminism, and environmental movements began with small nonprofit organizations bringing pressure to bear on government. The volunteers and staff of nonprofit organizations are more broadly representative of American society than are the employees of either business or government (Hodgkinson and Weitzman, 1996). Historically, the independent sector has served as a major portal of access for women and African Americans. A much higher proportion of females and blacks are employed in the sector than is the norm (1996, p. 136). Voluntary associations have served as "alternative power structures" (Hammack, 1998) providing fringe members of society avenues for expression and action.

The increase in government contracting with community nonprofit organizations to provide services can build capacity for citizen participation. Citizens have a vested interest in keeping nonprofit organizations healthy, viable, responsive and honest because they rely on them for services. Smith (1993, p. 216) asserts, "Contracting is a way of marrying the resources of government with grassroots democracy and participation of community organizations." Contracting, however, has both benefits and dangers. On a cautionary note, O'Connell (1996) strongly feels that the direct service provision capacity of the sector is secondary to the functions of advocacy and empowerment. For

voluntary associations to focus on service capacity at the expense of these efforts would be for them to “abdicate their civic responsibility” (Sherry, 1996). These organizations play an important mediating role between citizens and government. O’Connell (1996, p. 225) states, “the largest contribution is the independence [voluntary organizations] provide for innovation, advocacy, criticism, and where necessary, reform.” Contracting arrangements in the nonprofit sector may broaden opportunities for citizen interaction with the state, but the spirit and values of nonprofit enterprise must be preserved.

The board of directors of a nonprofit organization is the primary point of interaction between citizens, the nonprofit organization and the state. Most of the affairs of government, business, organizations and associations are controlled or influenced by boards of directors (Houle, 1997, p. 1). Herman (1989) estimated the minimum number of people serving on U.S. nonprofit boards is approximately 5 million. This group act as trustees for some \$125 billion used to provide services to millions of people (Rudney, 1981). Thus, a substantial number of citizens administer significant resources, a large proportion of which is intended for public use or benefit. In conducting these activities, they are exercising important civic functions. As Hall (1992, p. 9-10) states:

The resolution of the big questions - “What is the nature of private power in a democracy?” “Who can legitimately speak for the public?” is being proposed, not in national forums, but the localized nooks and crannies of the institutional infrastructure. It is here, on the governing boards of the million or so nonprofit organizations now in existence, that Americans are relearning the basic skills of citizenship.

In sum, the nonprofit sector is a significant and necessary part of the U. S. democratic system, based on--and enhancing--the core values of the nation.

Organizational Effectiveness Connection

The increasing use of different organizational forms for service delivery has placed more emphasis and resources on the evaluation of organizational performance and effectiveness (Murray and Tassey, 1994). Developing performance evaluation measures

for nonprofit organizations is a challenge equal to, if not greater than developing adequate measures for public organizations. Measuring effectiveness in public organizations is problematic, and in nonprofit organizations even more so. The problems are of two types: 1) difficulties related to the nature of the service provided, and 2) those related to theoretical differences in how and what to measure to gauge effectiveness.

If nonprofit organizations adopt a customer service orientation in a climate of entrepreneurialism, effectiveness might be measured in terms of customer service. Several scholars find this approach undesirable. Kettl (1998) asks, who is the customer? Nonprofit organizations have many stakeholders, each of whom might be satisfied by different criteria. Service recipients want responsiveness. The organizational funders or donors want effectiveness in service delivery. The citizens-as-community want clear accountability. The citizens-as-taxpayers want efficiency. Each of these preferences requires different measures, and taken individually, do not assess effectiveness as a whole. Kettl (1998) reminds us that the relationships among government, the third sector and the community are exceedingly complex. Adequate performance measures must recognize the inter-connections between the traditional hierarchical bureaucracy and individual organizations arranged in loosely coupled networks, as well as the performance of the individual organization itself.

Several other scholars reiterate that establishing criteria for performance is critical during the devolution of government services to the community (Moe, 1987; O'Connell, 1996; Gilmour and Jensen, 1998). Part of this process necessarily includes revisiting the public / private organization continuum, and distinguishing what government can and should do (Moe, 1987; Gilmour and Jensen, 1998). In addition, measuring output is relatively straightforward, whereas measuring impact is much more difficult but more significant in terms of determining achievement of organizational and social goals.

The second category of performance effectiveness problems arises from the varying theoretical perspectives by which organizational effectiveness is conceptualized.

These differing theoretical perspectives (Price, 1972; Yuchtman and Seashore, 1967; Cameron, 1980; Jobson and Schneck, 1982; Kanter and Summers, 1987; and Quinn and Rohrbaugh, 1983) are reviewed in Chapter 2. They provide a foundation for identifying the variables used to test nonprofit organizational effectiveness in the present study.

The difficulties of measuring performance in the public sector have migrated to the nonprofit organizational arena. In his fifth year report card for the Reinventing Government initiative, Kettl (1998) identified the need to create performance measures to assess broad outcomes for overall public effectiveness, and at the same time, build specific outcome measures for particular programs in the public sector. Hodgkinson and Weitzman (1996) predict that independent sector organizations will also be required to produce quantifiable measures of program achievement and effectiveness for donors, foundations and government funding agencies. Drucker (1987) states that the observed tendency for nonprofit organizations to be concerned with effectiveness, improved managerial skill, accountability and broad mission is extremely hopeful for the future role of the sector.

The Academic Connection

Justification for examining nonprofit governance and effectiveness under the rubric of Public Administration is further evidenced by NASPAA's 1999 guidelines for incorporating nonprofit management and scholarship into public administration curricula. The Guidelines for Graduate Professional Education in Nonprofit Organizations, Management and Leadership were developed by a task group of the Nonprofit Academic Centers Council and the National Association of Schools of Public Affairs and Administration (NASPAA). The NASPAA Guidelines respect the educational challenges presented by the breadth and diversity of the nonprofit sector. They were developed to stimulate exploration and innovation in program development for nonprofit scholarship within the schools or centers in which nonprofit education was housed (1999, Task Group of the Nonprofit Academic Centers Council and the National Association of

Schools of public Affairs and Administration, p. 1, Guidelines). The guidelines recognize that nonprofit study is important, and that it encompasses distinctive elements which set the study apart from that of public and for-profit organizations; concurrently, nonprofit study includes elements spanning the organizational boundaries of the public and for-profit sectors. Therefore, an academic program of study should reflect a “fundamental body of knowledge” about the distinctive features of the sector, as well as core elements of established public administration academic programs (Guidelines for Graduate Professional Education in Nonprofit Organizations, Management and Leadership 1999, p. 1).

The number of graduate programs in nonprofit management is increasing. In 1990, Wish conducted a nationwide survey of nonprofit management programs that met four criteria: they were offered by a college or university, not a nonprofit or for-profit business; they were oriented primarily toward management, not policy or history; they focused primarily on nonprofit management, not for-profit or public management; and they were generic in character, not focused on specialized fields such as art, religion, or health. In 1990, she found 17 such programs. By 1992, 32 programs met the criteria. In a third look at the field in 1995, 76 programs in nonprofit management met Wish’s four criteria (Wish and Mirabella, 1998). The programs in this group offered graduate degree programs with concentrations (three or more courses) in the management of nonprofit organizations. These programs were primarily housed in schools of Public Administration (21%), with 22% of the programs housed in Schools of Arts of Sciences. The authors state that some programs listed in Arts and Sciences could be included in Public Administration, since many Public Administration programs are located in schools of Arts and Sciences. Moreover, they found that 47% of the degrees awarded for nonprofit management were public administration degrees—the MPA, Masters in Policy, or Masters in Public Affairs.

Governance is one of four unique elements of nonprofit study⁴ described in the NASPAA guidelines. Governance includes: “volunteer boards of trustees (or directors) legally charged with the fiduciary responsibility to act in the public interest,” as well as consideration of the distribution constraint, board responsibility, board structure, relations with the CEO and staff, and the board’s responsibility for the organization’s mission (Guidelines, 1999, p. 5). The performance measures and program evaluation component are included in the Guidelines with the recommendation that this area of study should be included “in courses in nonprofit management concentrations” and should also be “integrated into the mainstream courses in public administration” (Guidelines, 1999, p. 6). Thus, the guidelines set out by the National Association of Schools of Public Affairs and Administration are supportive of the two main foci of this dissertation.

In summary, the nonprofit arena is interwoven with public administration in terms of service delivery, accountability, citizenship, democracy and governance, organizational effectiveness, and the academy. Current trends indicate increasing importance of the nonprofit sector in government, the economy and civic life.

Focus of this research

The key to the issues of accountability, governance, citizen involvement and organizational effectiveness in the nonprofit sector is the board of directors. Boards manage significant resources, yet they occupy a unique and paradoxical role in the management of “public” services. They are a critical piece of the relationship between funding entities, the nonprofit organization and the citizens utilizing the services. Governing boards interpret policy and the political and financial environment, and they make personnel and programmatic decisions. They are legally accountable for the practices and outcomes in nonprofit organizations. Yet they are composed of volunteers

⁴The other three unique elements are History, Values, Ethics and Philosophies; Legal Structure; Incorporation and Tax-related Law; and Revenue.

who have mixed motives for serving on boards⁵, and have widely varying levels of experience, expertise, and training for doing so.

Research on governance and effectiveness issues related to nonprofit boards of directors has grown in response to these concerns. Guidance for boards of directors has been largely prescriptive in nature, and some generally well-agreed upon practices are oft-cited in the literature (Houle, 1997; Soltz, 1997; Herman and Heimovics, 1991; Axelrod, 1994; Connors, 1980; Oster, 1995). Observation of and research on boards has resulted in a few departures from the prescriptive views regarding boards, as well as some new approaches. Contemporary research is evolving from two recognitions. First, there is a disconnect between the prescriptive literature and the behavior that actually occurs in boards.

Second, scholars debate whether there is a connection between board performance and organizational effectiveness. Several studies have attempted to establish this relationship, but have failed to do so conclusively (Holland and Jackson, 1998; Green and Griesinger, 1996; Herman, Renz and Heimovics, 1997; Smith and Shen, 1996). Chapter 2 will explore in greater detail the merits and weaknesses of existing effectiveness studies. In sum, current research examines board prescriptions and observes how they are manifested in board practice, as well explores the potential relationship between the performance of the governing board and the performance of the organization (Bradshaw, Murray, Wolpin, 1992; Cook and Brown, 1990; Green and Griesinger, 1996; Harris, 1993; Herman, Renz and Heimovics, 1997; Jackson and Holland, 1998; Siciliano, 1997).

⁵In a study of board members of ten human service agencies, Widmer (1989) found that varying and complex incentives motivate members to serve. Incentives were material (employment gain); social (opportunity to be with people and make new acquaintances); developmental (opportunity to learn new things); and ideological (opportunity to advocate for a cause or issue). The strongest incentive was developmental; ideological was weakest. See Houle (1997, p. 26-27) for further discussion of board member motivations.

The linkages between prescription and behavior, internal performance and external outcomes, accountability to government and commitment to citizens – are established by the nonprofit board of directors. Uncovering the dynamics that enhance board performance and explain the possible impacts boards have on the effectiveness of the organizations they govern may inform aspects of nonprofit service delivery in American life. Governing boards are therefore worthy of research time and attention.

The purpose of this dissertation research is to provide further insight into governance by boards of directors in nonprofit organizations. Specifically, the research examines an innovative, widely-adopted, model of board governance, the “Policy Governance Model” developed by John Carver, Ph.D. (Carver, 1990). In this model, the board develops policies in four domains—mission, CEO responsibility, board practices, and board-staff relationship. Developing and refining the policies and measuring outcomes and results against them is the primary task of the board. Carver makes strong claims for the effectiveness of the Policy Governance model. Four major questions guide the dissertation research:

- 1) Is there a difference in board practices before and after adoption of the Policy Governance Model? Is the model implemented similarly in boards from diverse sectors of the nonprofit classification system?
- 2) Is there a perceived difference in the board’s performance from before adoption of the model to after adoption of the Policy Governance model?
- 3) Is there a relationship between the degree of implementation of the Policy Governance Model and the perceived effectiveness of the organization, as judged by the Chief Executive Officer of the organization?
- 4) Is there a difference between the effectiveness of organizations whose boards have adopted the Policy Governance Model compared to a random sample of organizations whose boards are using other governance models?

The research utilizes survey responses gathered from two samples. The first sample is comprised of the chief executive officers, chairpersons, and board members of

32 organizations that have implemented, or are in the process of implementing, the Policy Governance Model of board governance. Data from this sample are used to address the first two research questions on implementation of the model, and board members' perceptions of changes in their board's performance.

Data from the second sample serves as the control group. The use of the control groups allows examination of possible differences in effectiveness of organizations using the Policy Governance model compared to the effectiveness of randomly selected organizations using other governance practices (research question 4). Stronger results can be obtained through use of research designs with control groups (Mohr, 1995; O'Sullivan and Russell, 1995). The control group is made up of two subgroups. The first subgroup consists of chief executive officers from a randomly selected set of 1500 nonprofit organizations that filed I.R.S. 990 tax forms in 1999. This data base includes information from all nonprofit organizations with revenues over \$25,000 that filed tax returns in a given year. The data are made available through the National Center for Charitable Statistics.

The second subgroup is comprised of chief executive officers of nonprofit organizations that have participated in either assessment or board development training from the National Center for Nonprofit Boards. These organizations have participated in a purposeful change effort embracing the NCNB's board development training which differs from the Policy Governance model. These data are employed to address the fourth research question, in this respect: is there a difference between the effectiveness of organizations whose boards have adopted Policy Governance compared to a sample of boards that have been trained in an alternative model of governance? These two control (sub)groups are used to evaluate whether the Policy Governance model is responsible for any enhanced performance of the organization that adopted it, or if planned board change per se might yield similar results.

Data from the two samples--Policy Governance organizations and control groups--measure five dimensions of organizational effectiveness: goal achievement, resource acquisition, internal processes, job satisfaction, and chief executive officer performance. These data are used to address the third and fourth research questions: whether there is a relationship between the degree of implementation of the Policy Governance model and the CEO's perception of the effectiveness of the organization; and whether there is a difference between the perceived effectiveness of organizations whose boards have adopted Policy Governance and the effectiveness of the organizations in the control groups.

Organization of the Study

Chapter 2 reviews the literature on board governance models, board performance and nonprofit organizational effectiveness. The literature examines relationships between board practices and the performance of the board of directors, and the impact of board performance on the effectiveness of the organization. The organization effectiveness literature provides support for the five performance dimensions examined in the present study. The final section of the chapter presents a description of the Policy Governance Model developed by John Carver. The specific, inter-related elements that compose the Policy Governance Model, the precise language used to describe it, and how the model departs from "traditional" board practice is presented. Claims and criticisms of the model are presented.

Chapter 3 establishes the framework designed for testing the implementation, board performance and organizational effectiveness of the Policy Governance model in the sample of nonprofit boards. The chapter defines the hypotheses to be tested under each major research question.

Chapter 4 elaborates the methods used to examine the implementation of the Policy Governance model and the performance of the boards of directors in 32 nonprofit organizations in the United States and Canada. The chapter explicates the quasi-

experimental designs utilized to test study hypotheses (see Mohr, 1995). Next, the chapter describes the design of the questionnaires sent to board members, chairpersons and chief executive officers of the organizations using the Policy Governance model and the design of the questionnaire utilized to collect data on organizational effectiveness in randomly selected organizations. The chapter also describes the study samples, survey distribution procedures and response rates.

Two data analysis chapters follow. Chapter 5 addresses the first two research questions. Using data from the board members and chairpersons of the organizations that have implemented Policy Governance, the chapter presents findings pertaining to two research questions: first, is there a difference in board practices before and after adoption of the model, and is the model implemented similarly in organizations in different sectors of the nonprofit classification system; and second, do board members perceive a difference in their board's performance from before adoption to after adoption of the Policy Governance model. The chapter describes the analysis of data and testing of the hypotheses related to implementation of the Policy Governance model and the possible effects of the model on board performance.

Chapter 6 presents the analyses of data and testing of hypotheses pertaining to the relationship between degree of implementation of the Policy Governance model and the measures of effectiveness in these organizations. The chapter also compares the organizational effectiveness of Policy Governance organizations to the random sample of nonprofit organizations, and to a sample of organizations whose boards have received board development training of another kind (not Policy Governance) from the National Center for Nonprofit Boards. The results of hypotheses testing examined in this chapter correspond to the third and fourth major research questions: is there a relationship between the degree of implementation of the Policy Governance model and the perceived effectiveness of the organization as judged by the chief executive officer, and is there a difference between the effectiveness of the organizations whose boards have adopted the

Policy Governance model compared to a random sample of organizations whose boards are using other governance models.

Chapter 7 presents conclusions and implications of this study for nonprofit board governance and performance, and organizational effectiveness. Findings will contribute to knowledge concerning implementation and influence of a particular model of governance on board performance and the effectiveness of nonprofit organizations.

CHAPTER 2

REVIEW OF THE LITERATURE

This chapter reviews the literature pertinent to the dissertation research. In the first section, a discussion of the three major models of board governance--the traditional statutory model, the CEO leadership model, and Total Activities Analysis-- provides a point of comparison for examining how John Carver's Policy Governance Model departs from these approaches to governing. Next, the chapter reviews studies examining the relationship between board development interventions and board performance. The section following presents the literature on organizational effectiveness models. Although organizational effectiveness is a "critical concept in organization theory," Goodman and Pennings (1977, p. 186) found the empirical literature in organizational assessment to be "in complete disarray and non-cumulative." Yet several frameworks for evaluating effectiveness have emerged over the past twenty years. The chapter reviews these frameworks and studies that have applied them in the attempt to establish a connection between performance of boards of directors in nonprofit agencies and the effectiveness of the organizations they govern.

The last major section of the chapter presents a detailed description of the Policy Governance model. The discussion contrasts the governance practices of the Policy Governance model against governance practices resulting from the more traditional models discussed earlier in the chapter. Strengths and criticisms of Policy Governance cited by scholars and practitioners is offered. The chapter concludes with the rationale for selecting the effectiveness frameworks employed in this study to assess the relationship between implementation of Policy Governance, board performance and organizational effectiveness.

Significance of the Nonprofit Board of Directors

A distinctive characteristic of nonprofit organizations is that they control their own governance activities and internal procedures. This governance function is conducted by the board of directors, consisting of volunteers from diverse backgrounds guided by legal requirements ranging from the organization's articles of incorporation and bylaws to state nonprofit incorporation laws, to federal tax and civil rights laws. The Internal Revenue Service and state attorneys general may exert some regulatory control, but for the most part, responsibility for self-regulation, accountability, and ethical practice is vested in the collection of lay individuals serving on boards.

Most scholars agree on the basic responsibilities of boards of directors (Hadden and French, 1987; Axelrod, 1994; Oster, 1995; Smith, 1995). Nonprofit directors do not answer to owners in the same manner as in a for-profit corporation, nevertheless, they do control extensive assets. Hadden and French (1987) believe that the same obligations of careful stewardship applied to directors of profit-making enterprises should also apply to the donors and beneficiaries of nonprofit corporations. Primary among these board responsibilities is the fiduciary role, the duty to act for the good of others. Axelrod (1994, p. 120) asserts that "in exchange for exemption from taxes and freedom from excessive government regulation, the organization is expected to serve the public benefit, and its board is expected to function as guardian or steward to safeguard the public interest."

Related to the Fiduciary Duty are the Duty of Care and the Duty of Loyalty. The Duty of Care carries certain obligations to which all directors subscribe when they agree to serve on a board. The agreement to serve implies they will spend sufficient time and energy to be reasonably familiar with the matters that come to the board's attention, and will review materials and request additional information when necessary (Hadden and French, 1987). The Duty of Care standard recognizes that directors of nonprofit organizations are not compensated and are often motivated to serve the public. Therefore, the standard is implicitly more flexible and encompassing than the equivalent

standard in for-profit organizations. The standard does not expect that only correct decisions will be made, but that directors will act in an informed and reasonable way.

The Duty of Loyalty requires directors to act in good faith and in a manner reasonably believed to be in the best interests of the organization. Opportunities for benefits and advantages based on service as a director must accrue only to the organization and not to the individual (Hadden and French, 1987). The key qualities to be upheld are fairness, good faith, and reasonableness.

Numerous writings describe the general functions of nonprofit boards of directors (Houle, 1997; Axelrod, 1994; Herman and Heimovics, 1991; Soltz, 1997; Ostrowski, 1990). These functions are prescriptive, and imply that if boards fulfill the prescribed functions, they will have performed their duties. Further analysis of the literature reveals that there are varying models and interpretations of the board's role, the Chief Executive Officer - board relationship, and the position of each party in terms of the organization's functioning.

Traditional / Statutory Model

Several authors have outlined the traditional model of nonprofit board governance (Duca, 1996; Oster, 1995; Herman and Heimovics, 1991; Middleton, 1987, Houle, 1990). The essential activities for governing a nonprofit organization are distributed through a tripartite system composed of the board, staff and executive director. Most writers cite five basic functions of a traditional board: select and evaluate the chief executive officer, set other personnel policy; define and re-evaluate the mission of the organization; develop a plan for the organization; approve the budget; and secure and safeguard resources (Oster, 1995). Other elaborations exist that emphasize different components or functions.⁶

⁶For example, Soltz (1997) offers the following board roles: support and promote the organization in an "ambassadorial" manner; preserve institutional autonomy; communicate and interpret various stakeholder perspectives to the board; serve as the final court of appeals during internal conflict; and self-assess (p. 116).

Other characteristics of traditional boards are related to the organizational structure. The organizations are hierarchical; the board is superior. The CEO is hired to assist the board, which establishes the standards, oversees programs, and is ultimately accountable for the organization's achievements and shortcomings.

The preeminence of the traditional model in practice results from commonly accepted precepts--it is consistent with legal responsibility that holds directors liable, and it provides standards for volunteers and paid staff that society values. The public perceives that voluntary organizations justify their legal privileges and popular support to the extent they are directed by citizen volunteers. Herman and Heimovics (1991) also assert the traditional model remains because no viable alternative has displaced it.

CEO Leadership Model

The way board functions are outlined in the literature and law is not necessarily the way boards operate in practice. Herman and Heimovics (1991) state that the responsibilities outlined by the traditional board model call for what they term "the heroic board." They maintain that the numerous tasks of oversight and management faced by these boards, and the strict dichotomy between board policymaking activities and implementation by the CEO, are unrealistic.

Their alternative model recognizes the political functions of the executive director, such as understanding and interpreting the environment, advancing the interests of the organization, and developing resources (Heimovics, Herman and Jurkiewicz, 1995). These functions place executives in a "leadership position of psychological centrality" in the organization (Heimovics, Herman and Jurkiewicz, 1995, p. 246). Effective executives accept the political functions, and in their capacity as leaders, develop the board's potential as mediator of environmental relationships through mission and resource development. Herman and Heimovics advocate placing the CEO at the center of leadership responsibility and recommend that the CEO engage in "board-centered leadership" (1991; 1994, p. 141).

Herman and Heimovics find support for their alternative version of board direction from several scholars, and from their own research. For example, Young (1987) and Smith (1989) view the executive as the organization's entrepreneur, because the CEO is concerned about the constantly changing nature of the environment, including assessing external threats and opportunities, and funding and policy changes. As a result, the CEO is better positioned to redefine the direction of the agency by adapting to these changes. Drucker (1991) asserts it is the CEO's responsibility to assure that the governance function is properly organized and maintained.

Gronbjerg (1991) found that the overall growth and stability of nonprofit organizations were linked to their experience with assessing patterns and shifts in funding streams, a task sufficiently complex, volatile and time-consuming as to be beyond the skill, ability, and attention of most volunteer boards. Pfeffer (1981) asserted that organizational power accrued to those who controlled or influenced critical organizational resources. Managing the dynamic conditions of the nonprofit funding environment effectively places this power in the hands of the chief executive officer.

And finally, in their own study on how the CEO, senior staff and board chairperson attributed responsibility for success and failure in critical organizational events, Herman and Heimovics found that the board chairperson and senior staff substantially agreed with the CEO's assessment of the critical events. Executives saw themselves as more accountable for organizational failures, yet credited successes to board chairpersons. Their findings indicate that the chief executive, not the board chairperson, is assigned predominant responsibility for organizational actions (Heimovics and Herman, 1990). In another study, they tested leadership behaviors between effective and noneffective CEOs⁷, and found that highly effective CEOs provided substantially more leadership to the board than those in the comparison group, and fostered other board-regarding behaviors such as facilitating interaction, showing respect and

⁷Effective CEOs were nominated by 12 individuals from foundations, United Ways, and heads of technical assistance and coalition organizations in a large metropolitan area. CEOs who received at least two nominations became part of the study sample.

consideration to board members, promoting board accomplishments, sharing information and envisioning organizational change with the board (Herman and Heimovics, 1990).

Herman and Heimovics pose two scenarios for the functioning of the board on the presumption that the CEO is the central actor in the nonprofit organization. In the first scenario, the CEO assumes full control, and the board effectively becomes a “cash cow” or “rubber stamp” component of the organization. The second scenario proposes that if the CEO is going to be held accountable, and since CEO’s have been observed to accept responsibility for mission accomplishment and public stewardship, then they should work with boards to see that the board fulfills their legal, organizational and community roles. Herman and Heimovics assert that this alternative model is based on the reality that in most cases the chief executive is the center of leadership for the organization. They conclude “this option is consistent with legal requirements and voluntaristic values and is more likely to lead to organizational effectiveness” (1991, p. 57).

Total Activities Analysis

As with the CEO Leadership model, Total Activities Analysis was inspired by the observation that in voluntary organizations in Great Britain, the board-dominant prescriptive model did not depict actual practice. Many studies conducted previous to the project found that implementation of the board-dominant role was an intractable problem (Gerard, 1983, p.134; Hartogs and Weber, 1974, p. xxv); that staff dominated boards of directors (Gouldner, 1969; Kramer, 1981); and that boards in turn abdicated their responsibilities to the staff (Gouldner, 1969; Connors, 1980). Organizations exhibited widespread uncertainty about what board members were expected to do (Middleton, 1987).

Based on work by Middleton (1987) that described the board-staff relationship as complex and dynamic, Margaret Harris and colleagues sought to design a practical analytic tool that could be applied to organizational problems in the nonprofit sector. Simultaneously, they also wanted to take into account relevant research findings and theories and “to develop usable theory” that could be utilized in organizational design

and change” (Harris, 1993; Billis, 1984, p. 1). The researchers compiled a list of ten broad nonprofit agency functions that originated from practitioners’ perceptions of the organization’s activities. Over time, the list was tested against practitioners’ experiences, which validated its usefulness. Total Activities Analysis is not a prescriptive model, nor does it view the board in isolation -- it considers the board in relation to the other roles in the agency.

Using this list, Harris outlines a multi-stage process by which an organization can assess its activities, and ultimately, decide which party or group is responsible for seeing that each is carried out. Analyses of the agency’s functions, how the functions are shared in practice between the board and the staff, and the resulting adjustments made, comprise the stages (Harris, 1993). Total Activities Analysis provides an overview of the balance of activities between the CEO/staff and the board and a basis for exploring the implications of the understood distribution of agency activities. The analysis can be used as a catalyst for change, enabling an examination of policies, official statements, expectations and accountability.

Table 1 presents a summary of the characteristics of the three governance models discussed above. Although the attributes of each model are not finite, and the practices for any one model might vary in different boards of directors, the characteristics selected to describe each model have been gleaned from studies in the literature that distinguished differences between them.

Cellular Model

Bradshaw, Stoops, Hayday, Armstrong and Rykert proposed another model in a paper presented at the 27th annual meeting of the Association for Research on Nonprofit Organizations and Voluntary Action (ARNOVA, 1998). The “cellular model” sorts the strengths and weaknesses from the established board models and functions. The resulting model is a hybrid that contains features of several governance models and practices, but is constructed to fit the specific and unique characteristics of a new, multi-stakeholder, networked organization.

Table 1
Three Models of Board Governance

<u>Model</u>	<u>Traditional Board Model</u>	<u>CEO Leadership Model</u>	<u>Total Activities Analysis Model</u>
Center of Authority	Board	CEO- Board Partnership	Determined by Analysis
Ideal Duties	<ul style="list-style-type: none"> -determine and evaluate mission -select, support, evaluate chief executive -provide sound financial management -secure financial resources -approve and monitor programs and services -assess board composition -recruit and train new members -represent organization to community; advance public image 	<ul style="list-style-type: none"> -Facilitate interaction in board relationships (CEO) -monitor changing environment; envision change for organization (with board) -provide useful information to board -initiate and maintain structure for board (CEO) -promote board accomplishments (CEO) -acquire resources (CEO) 	<ul style="list-style-type: none"> -provide services -develop service structures (setting policies, priorities, planning, monitoring) - maintain understanding of need and demand -maintain public relations -raise funds -manage finances; collection, disbursement, accounting -staff and train -manage & coordinate work -provide premises, materials, resources -coordinate clerical & secretarial work duties
Justification for Model	<ul style="list-style-type: none"> -Adheres to statutory / legal requirements, moral assumptions of public stewardship -consistent with values of voluntary service -lack of alternative model 	<ul style="list-style-type: none"> - CEO is center of organization leadership -CEOs perform most important org. functions - CEOs, staff and Board presidents view CEOs as responsible parties -segregating policy from administration is impossible; responsibilities will more likely be met if board and CEO share responsibility 	<ul style="list-style-type: none"> - individuals in nonprofits vary in their perceptions; no one perception is more right or wrong -takes account of tension and dynamic nature inherent in board-staff relations -allows renegotiation according to changing organizational environment -sanctions real working relationships that are generally unacknowledged

Note: Traditional model: (Duca, 1996; Oster, 1995; Herman and Heimovics, 1991; Houle, 1990; Middleton, 1987). CEO-Leadership model: (Herman and Heimovics, 1990, 1991; Young, 1987; Smith, 1989). Total Activities Analysis model, (Middleton, 1987; Harris, 1993).

The impetus for the design of a hybrid model was the realization that newly created multi-stakeholder, networked organizations face unique management challenges. The new challenges require governance models that capitalize on strengths of existing

governance models while incorporating new management frameworks. The emergent cellular model was developed to adapt to these new management contingencies. The model potentially addresses the difficulties identified by Ryan (1999) in trying to govern nonprofit organizations that are outside the mainstream – grassroots, all-volunteer, or entrepreneurial organizations, inter-organizational alliances, and organizations with multiple corporate forms. Unfortunately, no studies have been undertaken to support or refute the use of the cellular model in nonprofit organizations, its viability or effectiveness.

In summary, several paradigms of board practice are well-documented in the literature. This study examines the performance and effectiveness of the Policy Governance model against these documented board governance practices. Although Policy Governance is widely discussed, no formal studies exist examining the implementation and/or assessing the performance of the model.

Implementing Change in the Board of Directors

Boards of directors undertake training and development to enhance the performance of the board, and, potentially, to impact positively the effectiveness of the organization they govern. Numerous avenues exist through which nonprofit organizations can seek guidance and training for enhancing the performance of their board. Organization and board leaders can read books on board development and reform (Carver, 1997; Houle, 1997; Zander, 1993; Scott, 1999). They can attend board development training in any of several established organizations that specialize in governance activities. Notable is the National Center for Nonprofit Boards, a nonprofit organization that has provided board development training to over 500 organizations; distributes nearly 100 publications on board governance issues; and co-sponsors national governance initiatives, such as the Governance Futures Project with the Hauser Center at Harvard University, and the Nonprofit Governance Index study with the Stanford University Graduate School of Business. Other examples of entities that study

governance and offer training are university-based, and provide board and nonprofit management development in addition to serving as research centers, for example, the Midwest Center for Nonprofit Leadership at the University of Missouri, Kansas City, and the Hauser Center at Harvard University.

Members of nonprofit boards can also seek advice and assistance from consultants who operate independently or participate in consortiums, such as the network of trainers organized by the NCNB, or the governance academies offered by Carver Governance Design. Regardless of how nonprofit boards and organizations solicit assistance in improving performance, evidence of need and demand exists. The Nonprofit Governance Index (1999) reports that only 40% of the board member respondents in their study indicated they had received formal orientation when they joined the board, and 48% indicated that they received training on board responsibilities other than orientation in the year preceding the survey. However, 68% responded they were interested in receiving additional training or information on governance issues. Brudney and Murray (1998) found that substantial numbers of boards attempt development efforts. Seventy-two percent of the CEOs surveyed from 851 Canadian nonprofit organizations reported that their boards had undergone an intentional effort to change within the last three years.

Boards of directors attempt change for several reasons. In the Brudney and Murray study (1998), four factors emerged from a list of twelve circumstances that could motivate a change effort: board role confusion (confusion over the areas of responsibility belonging either to the board or the CEO); board composition (problems with absenteeism, or board members not contributing adequately); decision-making problems (presence of conflict; decisions made that were not good for the organization); and board structure or process difficulties (too many committees, or unstructured board meetings). A study of organizations undertaking Policy Governance implementation by Caroline Oliver (1999) confirmed several of these structure or process difficulties. In addition,

Brudney and Murray established that the more serious the presenting problems were, the more difficult it was for the board to resolve them through the change effort (1998, p. 340). Problems resulting from inadequate board composition were especially difficult to resolve.

Other authors and scholars have hypothesized barriers to initiating and maintaining change on boards. The board may feel that making an intentional change repudiates all the work that members have accomplished previously, which causes resentment and hard feelings (Radosevich, 1999). Many board members cling to familiar practices and old ways of operating (Marinelli, 1999; Holland and Jackson, 1998, Oliver, 1999). The board may not agree on what needs changing (Ryan, 1999), or they may have ambiguous expectations of results for their efforts (Holland and Jackson, 1998). If a new board operation design is adopted, and problems occur with it, boards have little knowledge or capacity at their disposal, first, to diagnose what went awry and, second, to make corrections (Ryan, 1999). Radically altering board practice may change power relationships between board members and the CEO, and has the potential to shift relationships between board members, constituents and staff (Radosevich, 1999). Planned change requires strategic thinking, an activity that studies have found is significantly related to satisfaction with the board's performance (Bradshaw, Murray, Wolpin, 1992) or perceptions of organizational performance (Brudney and Murray, 1998). However, it is difficult to accomplish (Marinelli, 1999).

Change is tiring and time-consuming. Board members have the potential to lose momentum or focus, have limited time to inform themselves, and limited hours to contribute to planning and implementing change (Oliver, 1999; Marinelli, 1999). In addition, change is a long-term process that must be incorporated into the life and work of the board, not merely addressed in a retreat or workshop (Holland and Jackson, 1998; Taylor, Chait and Holland, 1996). Efforts to change must also garner broad-based support among board members, the chairperson and CEO (Holland and Jackson, 1998).

Finally, board and organizational characteristics have the potential to influence the success or failure of an intentional effort to change. Organizational differences can impact change efforts. Scholars hypothesize that one prescription cannot cure all problems facing a board (Ryan, 1999). Researchers have found that successful board development may be influenced by size or composition of the board (Bradshaw, Murray, Wolpin, 1992; Chitayat, 1980; Oliver, 1999); size of the organization (Cornforth and Edwards, 1999; Cook and Brown, 1990); its financial health (Smith and Shen, 1996); age (Murray, Bradshaw, Wolpin, 1992); the actors who introduced and led the change effort (Siciliano, 1997; Brudney and Murray, 1998; Oliver, 1999); whether a governance model was used to provide a framework for change (Brudney and Murray, 1998); and what resources the organization can redirect to plan and initiate a change effort (Brudney and Murray, 1998; Holland and Jackson, 1998; Oliver, 1999). Holland and Jackson emphasize that “effective interventions must be designed to accurately reflect the realities facing a particular board and to require board members to accept responsibility for their own changes” (1998, p. 129).

This study examines the process and results of intentional change to the Policy Governance model in 32 nonprofit organizations. It analyzes the survey responses of board members who have stated that they have participated in a change to the Policy Governance model to determine whether a shift in their individual and collective behavior as board members has occurred. The study examines whether there are measured differences in implementation of the model across organizations with different characteristics. The analysis may find further evidence of factors influencing planned change in nonprofit boards of directors documented in previous studies.

Board Development and Board Performance

For board members to commit time, energy and resources to undertake intentional change, they likely have some faith that those efforts will result in improved board performance. Yet, the connection between effort to improve and evidence of

improvement has been difficult to establish. Few studies document the impacts of efforts to improve board effectiveness (Holland and Jackson, 1998). One difficulty in establishing this connection is the lack of precise measures that can assess changes in performance. A related factor is determining which aspects of board performance to measure. Conceivably, each board that attempts change targets that effort to address factors unique to their situation.

Brudney and Murray (1998) undertook a study of 851 Canadian nonprofit organizations to assess the extent of change efforts in this sample, and the impact that those efforts had on board performance and organizational effectiveness. CEOs who indicated their boards had undergone a planned change in the past three years were more likely than the nonchange group to feel that their boards had improved in effectiveness over the three year period (Brudney and Murray, 1998, p. 338). The difference in scores between the two groups was statistically significant. In addition, change appeared to be durable; 56% of the CEOs reported that all the changes made had remained in place. The perspective of the CEO respondents was that planned change does appear to be associated with heightened board effectiveness.

Few studies have attempted to observe or direct a change effort, and to assess board performance to measure impact of that planned change. A notable contribution is a three year study by Holland and Jackson (1998) of 24 nonprofit organizations; ten organizations participated in board development interventions, and fourteen served as an untreated matched comparison group. One strength of the study is that the researchers used the Board Self-Assessment Questionnaire (BSAQ), an instrument developed by the authors that has been rigorously analyzed for reliability and validity (Holland, 1991; Jackson and Holland, 1998). The BSAQ assesses six different areas of board competency: contextual, educational, interpersonal, analytical, political, and strategic. The instrument was administered to the board members before and after a development intervention during which a research team worked intensively with board members,

board and committee chairs and CEOs in a variety of capacities such as “coach, facilitator, consultant, teacher, and resource guide” (Holland and Jackson, 1998, p. 125).

The researchers hypothesized that the experimental group of boards would show significant increases in their scores on the BSAQ following intervention, but that the control group would not. In addition, they hypothesized that the type of organization participating would not account for changes in scores.

Holland and Jackson found that the experimental sites showed statistically significant gains in overall scores of the BASQ. The greatest gain occurred in the educational competency. Further, the largest increase in scores occurred in the competency areas targeted for attention (Holland and Jackson, 1998, p. 128).

Improvements in performance were not contingent on the type of organization - boards from a variety of organizations showed similar patterns of improvement. The findings provide evidence that boards of diverse nonprofit organizations can take intentional steps to improve their effectiveness.

Bradshaw, Murray, and Wolpin (1992) explored the relationship between board structure, process and effectiveness. Although this study did not specifically examine the impact of intentional change on board performance, the authors did examine the relationship of several board process and structure variables to perceptions of board performance. The sample consisted of 417 nonprofit organizations in Canada that responded to an extensive questionnaire comprised of subjective items (perceptions of effectiveness and satisfaction with performance) and objective items (financial ratios, percentage of administrators and elected officers of the boards, number of committees, etc.).

The authors found that 11 of 13 board process characteristics⁸ were significantly correlated with one or both of the board performance measures (general satisfaction with the board, and satisfaction with performance of board functions). Boards scoring high on satisfaction and perceptions of performance are “more likely to have participated extensively in strategic planning, to share a common vision, to follow good meeting management practices, to have members who work hard on board matters, and to have an informal core group that is especially active and positive about change” (Bradshaw, Murray and Wolpin, 1992, p. 237). The strongest relationship was found between strategic planning and perception of board effectiveness.

Herman and Renz (1997) used the social constructionist perspective to investigate the relationship between the extent to which nonprofit boards used prescribed board practices and stakeholder judgements of the effectiveness of those boards. The social constructionist perspective “implies that different stakeholders use and evaluate different kinds of information in making judgements about board effectiveness” (Herman, Renz and Heimovics, 1997, p. 373). The researchers interviewed CEOs from 64 locally governed nonprofit charitable organizations regarding board practices and organizational procedures and conditions. Stakeholders’ judgements of board effectiveness were elicited using a survey instrument adapted from the Self-Assessment for Nonprofit Governing Boards (Slesinger, 1991). Surveys were mailed to two officers from each board, and two funders of each organization. CEOs of each organization also completed the survey.

Herman and Renz found that most of the nonprofit boards reported using most of the prescribed board practices, without much variation by type of organization or funding

⁸ The 13 process variables were common vision shared by board, origin of vision with top paid manager, origin of vision with top voluntary leader, strategic planning by the board, board involvement in operations, meeting management, intraboard conflict, board-staff conflict, existence of core group, core group as positive aspect for change, hours spent by office holders, hours spent by general board members, and number of full board meetings (Bradshaw, Murray, Wolpin, 1992, p. 233-234).

source. Boards that used more of the prescribed practices were judged by CEOs to be more effective. The boards judged most effective frequently used a board development or nominating committee, ensured all board members had officer or committee assignments, used a process by which the board evaluates its collective performance, and used a process for the board's performance appraisal of the CEO. Interestingly, there was no relationship between funders' assessments of board practices and board effectiveness, or between board members' assessments of their practices and effectiveness. Herman and Renz hypothesize that because funders are not familiar with internal board practices, they base their judgements of effectiveness on different criteria that were not measured in the study. The lack of relationship between board officers' assessments of board practices and effectiveness may also be based on their use of different criteria. Herman and Renz surmise that board members judge effectiveness of the board on their satisfaction with board service, and "the extent to which the board work contributes to organizational effectiveness - that is substantive results rather than following correct procedures" (Herman and Renz, 1997, p. 383). The results of the research also support the premise underlying the social constructionist perspective - that different stakeholders will hold different views of what constitutes effectiveness.

In summary, only a small group of studies have considered--or established--a connection between board development and improved board performance. Because programs to train board members and develop their effectiveness proliferate, research in this area needs to be expanded. The first part of this dissertation research focuses on implementation of the Policy Governance model in nonprofit boards of directors and examines factors that may contribute to full and successful adoption of Policy Governance practices, and the perceived effects of the change in governance practices on the performance of the board.

Defining Organizational Effectiveness

Herman and Renz (1997, p. 196) write, “One of the most fundamental assertions of the normative literature on the governance and management of NPOs [nonprofit organizations] is that the performance of boards strongly influences the effectiveness of NPOs.” Scholars and nonprofit managers alike intuitively feel that a connection must exist between efforts to enhance board performance and the resulting effectiveness of the organization governed by the board, although it appears difficult to substantiate that connection (Renz, 1999).

Defining organizational effectiveness is not a research problem confined to the study of nonprofit organizations—the problem has also long bedeviled the management field. Distinguishing the factors that construct a concept of effectiveness “has been one of the most sought out yet elusive of research subjects since the early development of organizational theory” (Rojas, 2000, p. 97). Determining what constitutes effectiveness in nonprofit organizations is more challenging than determining effectiveness in for-profit business, due to the lack of a bottom line (Herman and Tulipana, 1985; Herman, 1990). Yet, defining effectiveness is crucial for several reasons.

First, a surge in academic interest in nonprofit organization performance (Speigel, 1990) and in developing methods of performance evaluation (Thomas, 1994; Murray and Tassie, 1994; Newcomer, 1997) is occurring. Second, in reaction to increased pressures to maintain financial viability, and be accountable to stakeholders and funding sources, nonprofits are borrowing management practices from the for-profit sector without deliberate scrutiny of the appropriateness of those practices for nonprofit work (Eisenberg, 1997; Rojas, 2000). Third, nonprofits find their service niche being encroached upon by competing for-profit businesses (Ryan, 1999; Rojas, 2000). Finally, nonprofit organizations have come under increased scrutiny from the public as a result of their unprecedented growth, the increasing trend to use them for outsourcing services formerly provided by public agencies, and a few high profile scandals involving

mismanagement of funds (Rojas, 2000). As a result of these trends and pressures, scholars and practitioners have placed more emphasis on determining the components of effectiveness in nonprofit organizations.

A Review of Organizational Effectiveness Frameworks

Forbes (1998) states that although “there is much variation in the way that effectiveness has been studied over the years, certain regularities emerge”(p. 184). This section summarizes a number of approaches or frameworks for evaluating organizational effectiveness, reviews studies that illustrate the application of each approach, and finally presents the approaches selected for analyzing the performance of the nonprofit organizations in this study.

Goal Approach

Early researchers adopted goal attainment as one approach to assessing organizational effectiveness (e.g. Price, 1972). Based on the assumption that an organization’s goals were identifiable and specific, the goal approach sought to create objective measures corresponding to the goals and to use those measures as indicators to infer effectiveness. Simply stated, the greater the degree to which an organization achieves its goals, the greater its effectiveness (Price, 1972). “Goal” is variously defined as “objective,” “purpose,” “mission,” “aim,” and “task;” however, Etzioni’s definition is widely cited: “An organizational goal is a desired state of affairs which the organization attempts to realize” (Etzioni, 1964, p. 6). The goal model appears to “make the analysis of effectiveness a purely objective task—one compares results to goals and measures effectiveness” (Sheehan, 1996, p. 111).

Several complications cloud the connection between goal achievement and effectiveness. Perrow (1961) introduced the question of whether to study “official goals,” those publicly stated by the organization’s officials, or the “operative goals,” those objectives reflected through the operating policies and procedures of the organization. Conceivably these types of goals could be different, and measuring them

would result in different interpretations of success. In the same line of thinking, Yuchtman and Seashore (1967) differentiate between “prescribed goals” or “goal” approach and “derived goals,” or “functional approach.” The researchers find two limitations with applying the goal approach for the study of organizational effectiveness. Prescribed goals reflect ideal states, and describe that which the organization has expressed a desire to achieve. But ideal states “do not offer the possibility of realistic assessment” (Yuchtman and Seashore, 1967, p. 893). Derived goals reflect norms, and represent “sets of meanings depicting target states,” (p. 893) and therefore are also cultural. However, as reflections of culture, goals arise external to the organization, and cannot be attributed to the organization itself. The derived, or functional goal approach proposes that the more an organization benefits society, the greater its effectiveness. The weakness of this approach is that society replaces the organization as the frame of reference for evaluation of organizational effectiveness. Yuchtman and Seashore also find lacking “adequate consideration to the conceptual problem of the relations between the organization and its environment” (1967, p. 897).

Despite these limitations, identification of organizational goals is possible provided certain guidelines are followed. First, the focus of the research should be on the major decision-makers. The major decision-makers are “the most valid source of information concerning organizational goals” (Yuchtman and Seashore, 1967, p. 892) because they allocate organization resources. As the decision-makers, they primarily determine the “desired state of affairs the organization is attempting to realize” (Etzioni, 1964, p. 6).

Second, the focus of the research should be on the goals of the organization, not the private goals of individuals in the organization. Private goals are important if the organization is to achieve a high degree of effectiveness, but the “evaluation of effectiveness must be based on the achievement of organizational goals rather than on the satisfaction of private goals” (Price, 1972, p. 6).

Third, the focus of research should be on operative goals. Perrow (1961) distinguishes between official goals (the publicly espoused goals of the organization) and the operative goals (the goals the organization is pursuing). While the official goals are important, and provide a place to begin to identify the goals the organization intends to achieve, evaluation of effectiveness should be based on achievement of the operative goals, and not limited to the goals stated in the organization's charter (Price, 1972).

Fourth, research should also focus on intentions and activities. Gross (1969, p. 284) describes intentions as "what, in the participants' view, the organization is trying to do...what they believe the goals of the organization to be, its aims or direction." Intentions are similar to what Perrow (1961) calls official goals. Activities, which correspond to operative goals, comprise what participants are observed to be doing, how resources are allocated. Gross (1969) maintains that both intentions and activities must be assessed, and that valid research must use multiple methods of data collection.

In summary, goal achievement is a viable approach for assessing organizational effectiveness provided two conditions are met. First, the focus of research is on organizational goals that major decision-makers actually pursue, and second, data are collected on both the intentions and activities of decision-makers (Price, 1972).

Systems Resource Approach

Dissatisfaction with the weaknesses of the goal approach led Etzioni (1964) to propose a system model of analysis. The model focuses on the most "highly effective allocation of means" possible in an organization, and "defines a pattern of interrelations among the elements of the system which would make it most effective in the service of a given goal" (Etzioni, 1964, p. 19). An important aspect of this approach is that the system itself is the dependent variable, the definition of effectiveness (Sheehan, 1996), rather than each component in the system serving as independent variables which produced the dependent variable of goal outcomes.

Sheehan (1996) identifies three different iterations of the system approach used by researchers: open systems, internal process systems, and human resource systems. The open systems approach considered whether an organization could maintain or increase its viability through its ability to acquire necessary environmental, economic or political resources (e.g. Yuchtman and Seashore, 1967). The internal process approach emphasizes systematic decision-making, information management and control (Sheehan, 1996), measurement and documentation (Rojas, 2000), and the presence or absence of internal strain, trust and benevolence towards individuals and smooth information flow (Cameron, 1980) internal to the organization.

The human resources approach is similar to the internal process approach in that the model focuses on internal aspects of organizational function, but emphasizes the development, satisfaction and well-being of employees (Sheehan, 1996). The approach argues that people are the key to organizational success, therefore the emphasis must be on finding the right people, training them properly, and motivating them to work hard, cooperate and think creatively. From this perspective, effectiveness measures assess employee attitudes, beliefs, and performance, as well as how organization policies and practices influence attitudes. This approach to effectiveness is supported by top management, as well as human resource personnel and even union representatives, although there is variation in what these groups consider specific effectiveness criteria (Murray and Tassie, 1994).

The systems models are process-oriented, and use explanations of the interrelationships among the various organizational elements as the definition of effectiveness. However, the systems models also exhibited weaknesses, which Price illustrated using Yuchtman and Seashore's 1967 study of 75 independently owned and managed life insurance sale agencies. First, in the process models, multiple criteria are in play, making it difficult to operationalize them compared to operationalizing a single goal. Second, Price (1972) states that the use of the systems approach requires the

development of general operational measures. However, at the time of his review, systems approach measures were specific to the unique characteristics of the organizations involved in the research, limiting their usefulness for comparison studies. Yuchtman and Seashore's research primarily used measures applicable to the life insurance agencies (1967, p. 103-106). Third, Price cautioned that measures created to operationalize systems concepts must not overlap, but should be mutually exclusive. For example, effectiveness must be distinct from efficiency or production, and the measures must account for the distinctions. Price also stressed that if multidimensional measures are employed, each dimension must address the same analytical concept; multidimensional measures that tap different analytic concepts violate the rule of mutual exclusiveness (Price, 1972, p. 10).

Competing Values Approach

The models described thus far have limitations but also offer convincing support for the ability to explain some aspect of effectiveness in organizations. Quinn and Rohrbaugh (1983) represent the next effort to create a useful framework for analyzing the effectiveness construct. Their model, the "competing values" framework, incorporates four other models-- rational goal, open systems, internal process, and human relations-- each of which could stand independently, and have seemingly contradictory values. The models are differentiated by organizational focus (internal or external) and organizational structure (flexibility or control). Each component of the framework represents a different "values" perspective. The values perspectives of each component model compete within the framework, and portray the tensions organizations face. The key challenge for organizations is to balance these competing values to enhance effectiveness.

As with other models, the competing values framework has strengths and limitations. Forbes (1998) states that the competing values framework incorporates three value dimensions central to most definitions of effectiveness – organization focus,

structure and means-ends⁹. The framework acknowledges that competing values exist simultaneously in organizations, and recognizes that organizations can seek actualization of different values at different, or even the same, times. Rojas (2000, p. 101) noted numerous studies that applied the competing values framework in a wide range of organizational research including organizational culture, leadership styles and effectiveness, organizational development, and quality of life.

However, Sheehan (1996) notes that the model exists “at a highly generalized level and does not provide specific guidance for achieving the appropriate balance” (p. 112). Without this guidance, the model has limited prescriptive value - organization members could feel that they must satisfy all the values (internal or external focus, and structural flexibility or control) at equivalent levels to be deemed “effective.”

Acknowledgment of the drawbacks to assessing effectiveness in any one particular way prompted researchers to advance the need for multidimensional approaches that measure effectiveness in several different ways simultaneously. The development of the competing values framework signaled the start of a trend to explore these multidimensional assessments of effectiveness. Multidimensional assessments were necessitated by several realizations: first, organizations have competing, ambiguous, often intangible goals, making it difficult to develop measurement criteria. (See Kanter and Summers, 1987, for a summary of the problems with measuring goal accomplishment.) Second, organizations, particularly nonprofits, have numerous affiliated parties who may be looking for evidence of effectiveness in different aspects of the organization (financial stability, goal achievement, client satisfaction, etc.). In addition, none of the approaches previously reviewed considered whether stakeholders, constituents, or other informed parties viewed the organization as effective. Third, the fact that an organization was efficient at acquiring resources was not necessarily an

⁹Quinn (1988) later demonstrated that the first 2 continua (internal-external and control-flexibility) were sufficient to describe organizational effectiveness and eliminated the means-end dimension from the model.

indication of its success in fulfilling the mission for which it was established. Kanter and Summers (1987, p. 164) conclude that “the ideal performance assessment system in a nonprofit organization would acknowledge the existence of multiple constituencies, and build measures around all of them.”

Multiple Constituency, Reputational or Participant Satisfaction Approaches

These approaches extend assessment of effectiveness to parties external to the organization. They measure effectiveness according to the self-reported opinions of clients, staff, or outside experts or professionals who are familiar with the organizations at hand (Forbes, 1998). The central tenet across variants of the multiple constituent approaches is that the organization is effective to the extent that it satisfies the interests of one or more constituencies associated with the organization (Tsui, 1990). Examples of studies that utilized this framework to assess organizational effectiveness are Jobson and Scheck, (1982); Connolly, Conlon and Deutsch, (1980); Freidlander and Pickle, (1968); Goodman and Pennings, (1977); Seashore, (1983); Zammuto, (1982, 1984); Tsui, (1990); Smith and Shen, (1996), and Herman and Tulipana, (1985).

If, as Zammuto (1984, p. 614) writes, “the construct of organizational effectiveness refers to human judgements about the desirability of the outcomes of organizational performance from the vantage point of varied constituencies directly and indirectly affected by the organization,” then there are potentially very many values, perspectives and judgements about the effectiveness of any one organization. Zammuto suggests that multiple evaluations of the performance of an organization from the different value perspectives is more useful, rather than evaluations of multiple organizations from a single perspective. The advantage to using the multiple constituency approach is the potential to elicit meaningful evaluations about agencies from the constituencies who matter. The drawback is the necessity of proceeding organization by organization, designing a different set of indicators for each, and having few or no opportunities for comparison.

Social Constructionist or Emergent Approaches to Effectiveness

The social construction of nonprofit effectiveness is the process whereby individuals collectively invent the criteria of effectiveness by which organizations are ultimately judged (Scott, 1995). The social construction approach, or what Forbes labels the “emergent approach” proposes that the concept of organizational effectiveness is the “negotiated product of repeated interactions between organizational actors, and the environments in which they function” (Forbes, 1998, p. 195). The approach recognizes that “social structures are both human creations and, at the same time, constraints on the process of meaning creation” (Pfeffer, 1982, p. 210). The development of criteria with which to judge effectiveness derives from an emphasis on understanding interactions within and among organizations. Information and communication also play a role in shaping judgements of effectiveness. Accordingly, assessments of effectiveness cannot be considered objective facts, but neither can the subjective interpretations be considered irrelevant or meaningless. The emergent approach holds that these definitions have meaning that is (a) created by the individuals or organizational actors involved, (b) specific to the context in which it was created, and (c) capable of evolving as the actors continue to interact (Forbes, 1998, p. 195).

Several recent studies illustrate the concept of social construction and emergence theories of effectiveness. Tassie, Murray, Cutt and Bragg’s 1996 case study of a voluntary social service agency demonstrated that although the evaluation process involved subjective judgements, continuous and extensive dialogue between parties involved created a shared sense of subjectivity with regard to the evaluation criteria, making the process more informative and valuable for the participants. Another study by the same team applied the concept of mutually created criteria (Cutt, Bragg, Balfour, Murray and Tassie, 1996). The team assisted a group of human service agencies in Canada in designing performance measures that took into account the nature of information needed, and who needed it (they identified executive directors, boards and

fundors). The team then developed performance reporting standards that accommodated the most common demands for information, including retrospective, on-going and prospective reports on internal (staffing and training) and external (outcome and productivity) organization operations. The standards were flexible enough to accomodate the most common demands for performance measurement.

Through a questionnaire-based Delphi process involving 59 practitioner/experts associated with health, welfare and disabilities service agencies, Herman and Renz (1997) found that these officials were more concerned with procedural measures of effectiveness (evidence the organizations were doing things right) than with objective outcome-based measures. Incorporated in this study were additional data solicited from various constituencies of a sample of nonprofit organizations in a given metropolitan area. The research found that judgements of an organization's effectiveness can vary substantially among different constituencies. For example, staff judgements of effectiveness correlated only modestly with funder judgements ($r=.27$) and hardly at all with board members' judgements ($r=.06$). Notable, however, was that constituent judgements of board effectiveness correlated very highly ($r=.64$) with judgements of overall organizational effectiveness, suggesting that how various constituencies view the performance of the board is associated with their perceptions of organization effectiveness (Herman and Renz, 1997).

The emergent approach addresses nonprofit effectiveness "not as a discrete analytical objective, but as a subject to be explored" (Forbes, 1998, p. 196). This approach to effectiveness is theoretically significant in that it has the "potential to illuminate the way effectiveness is conceived of, negotiated, and measured in the contemporary nonprofit world" (Forbes, 1998, p. 1996). This trend to view effectiveness as an emergent process is fairly recent (most studies discussing this approach to examine effectiveness have been published since 1996).

The emergent approach may benefit the study of organization effectiveness by broadening understanding of how effectiveness is determined. The early organizational effectiveness research period, characterized by studies of goal achievement, systems resources, and multi-dimensional studies, attempted to draw conclusions about the relative effectiveness of organizations themselves from objective outcome measures, and later, attempted to identify correlates of effectiveness within these three approaches (Green and Griesinger (1996), Provan, 1980; Smith and Shen, 1996, Siciliano, 1997; Bradshaw, Murray and Wolpin, 1992). The emergent or social construction approach characterizes the second research period. These studies draw conclusions about the different ways funders, stakeholders, and organizational agents - the board, staff, chair and CEO, and others-- understand the concept of effectiveness. Both approaches have merit, and how researchers measure effectiveness may be determinant on Herman's advisement, that effectiveness is "a matter of effective at what, for whom, and according to whom" (1992, p. 415).

Interesting though it may be to observe how effectiveness assessment is evolving among the different actors in a nonprofit organization, in studies of this type, effectiveness has no consistent meaning. Conceivably, all organizations are effective if the "right" people are asked. Although there are inherent weaknesses in the three approaches from the early effectiveness research period (goal achievement, systems resource, and multi-dimensional), as illustrated by Price, (1972); Sheehan, (1996); and Kanter and Summers, (1987), a great deal of work still needs to be done that refines and applies objective measures to samples of nonprofit organizations. Researchers continue to express the concern that effectiveness is a controversial and confusing subject (Au, 1996), and that studies are needed that address nonprofit organization effectiveness under different economic and governance conditions (Renz, 1999). Herman (1992, p. 415) expresses the hope that research will proceed on both fronts: variable outcome studies, and research into effectiveness as a "contested social judgement process."

Determining effectiveness of nonprofit organizations under differing economic or governance conditions, or between different sectors of the nonprofit classification system could be approached by isolating specific corollaries of effectiveness. The questions that need to be addressed pertain to determining the variables that impact or influence performance and governance. According to some researchers (Renz, 1999; Herman, 1992) this task has not been adequately accomplished. The field of nonprofit management and governance has not yet been able to clearly establish the factors that might predict the probability for an organization or its board to perform better or worse given certain characteristics or conditions. Lack of knowledge about the variables impacting governance and performance also limits the ability to compare the performance of organizations with similar characteristics, for example, those with large boards of directors, those with certain revenue levels, or those being governed in similar ways. Not having some confirmatory evidence to respond to these questions limits progress in nonprofit governance and effectiveness research.

This study is therefore concerned with correlates of effectiveness. The emphasis for the research is to identify factors related to implementation and board practice in Policy Governance organizations and how these factors may influence aspects of performance in those organizations. The study is not concerned with how the respondents, the board members, chair and CEO, conceive of effectiveness. The study also seeks to determine if a sample of organizations using the Policy Governance model perform better on several measures of effectiveness representing multiple approaches—goal achievement, resource acquisition, job satisfaction, internal processes and CEO performance—than organizations governing in other ways. The research questions posed in this study intend to identify some of the objective measures that may impact the performance of boards of directors using the same model of governance—and relatedly, the effectiveness of the organization being governed by the model.

Research Supporting Links between Board Performance and Organizational Effectiveness

Although linking board performance and organizational effectiveness is difficult and elusive, numerous studies have offered important contributions and useful suggestions for furthering the research.

One of the earliest studies seeking the relationship between board and organizational performance was conducted by Herman and Tulipana (1985). The researchers surveyed 142 board members in seven nonprofit organizations. Effectiveness was judged by member ratings of the effectiveness of their organization in comparison to other organizations, and by board members who rated their agency on how well it achieved its goals in terms of board member expectations. The research found that ratings of organizational effectiveness are positively related to board member ratings of staff educational sufficiency, and the extent to which board members felt informed of their duties.

A study by Chait, Holland and Taylor (1991, p. 2) based on interviews with trustees of 22 higher education institutions found a “positive and systematic association” between board performance and measures of institutional financial performance. Board performance was differentiated into six dimensions - contextual, educational, interpersonal, analytical, political, and strategic.

Holland and Jackson (1998) found support for the relationship between board performance and organization financial health in a later study that correlated the scores of 623 board members on the Board Self Assessment Questionnaire (BSAQ) with selected indicators of financial performance of their organizations. They found a significant ($r=.34$; $p<.05$) relationship between the financial reserves of these organizations and the

BSAQ overall score, and a moderate, though not statistically significant relationship between financial reserves and five of the dimensions on the BSAQ.¹⁰

Bradshaw, Murray and Wolpin (1992) found limited, but statistically significant support for relationships between certain aspects of board process and both financial and reputational measures of organizational performance. Overall, their results indicate a positive association between perceptions of board effectiveness and the use of board practices that are widely advocated in the literature. The most significant board processes impacting board effectiveness included the use of strategic planning, and the existence of a common vision on the board. However, the relationship between board effectiveness and more objective measures of organizational effectiveness were more modest. The research did find a negative relationship between boards seen as effective by their CEOs and the presence of large budget deficits in the organization. The authors conclude that although the results indicate that boards are not influential in increasing the budget, they do serve as “financial watchdogs, and keep their organizations out of debt” (Bradshaw, Murray, Wolpin, 1992, p. 246).

Cook and Brown (1990) studied 13 United Way organizations. Four United Way staff members who had extensive knowledge of the agencies rated seven agencies as most effective, and six agencies as least effective using specific guidelines. The boards of directors and chief professional officers of the two sets of organizations were then asked to rate the functions of the board and organization. Cook and Brown’s study first determines most and least effective agencies based on United Way staff judgements, and then seeks to determine the characteristics that accompany the designation of most and least effective. United Way agencies labeled as most effective had more staff; younger, wealthier, more highly educated trustees, and more females on the board. The boards of most effective agencies participated less in daily operations of the organization, letting

¹⁰The five dimensions were contextual, interpersonal, analytical, political, strategic. Only the educational dimension was not positively related to the financial reserves measure.

the CPO (Chief Professional Officer) set direction and manage. Based on these results, Cook and Brown recommend that nonprofit boards clearly delineate their responsibilities, and refrain from micromanaging the organization.

Smith and Shen (1996) assessed the relationship between voluntary nonprofit organization nature,¹¹ board governance, formalization and a measure of reputational effectiveness in 39 voluntary nonprofit organizations in a suburb of Boston. The three strongest relationships were found between the reputational effectiveness measure and organizations that had formal bylaws, boards with many active committee members, and a formal, board-created mission statement that was reviewed regularly. Of 66 hypotheses tested regarding how voluntary nonprofit organization (VNPO) nature, governance and formalization affect the reputational effectiveness of this group of organizations, 27 were found to be statistically significant. Fifteen hypotheses related specifically to governance predictors, such as existence of organization officers; presence of a board of directors, familiarity with by-laws, good meeting attendance, use of committees, more active members of committees, etc. (see Smith and Shen, 1996, p. 279).

Green and Griesinger (1996) used the goal approach to assess the relationship between board performance and organizational effectiveness in 16 agencies providing services to developmentally disabled adults. They identified the goal as quality of services delivered modified to include consideration of the resource dependencies necessary to sustain service delivery. Organization effectiveness measures were derived from mean scores of three rating scales. The first scale consisted of ratings from the formal accrediting body for disabilities agencies (CARF); the second, ratings by agency officials with oversight of programmatic and case management functions; and the third rating was conducted by the authors based on site visits, interviews, and review of

¹¹Voluntary nonprofit organization “nature” was determined by measures of public or mixed (member) benefit; outside clients or users; more clients or users; older nonprofit; more revenues in past year; more revenues five years earlier. (Smith and Shen, 1996, p. 277).

archival records. A composite organizational effectiveness measure was derived from the three scales.

Board performance was assessed with a decision process model. The decision process model “focuses on the decision processes used by organizations to achieve their purposes-it relates means to ends” (Green and Griesinger, 1996, p. 385). Board members and CEOs were asked to indicate to what extent the board was actually involved in a set of activities and practices, and the extent to which they felt they should be involved. Green and Griesinger found a significant positive relationship between overall board performance scores and organizational performance ratings. Boards of effective organizations tended to be more fully involved in policy formation, strategic planning, program review, board development, resources development, financial planning, and conflict resolution than were boards of less effective organizations. Correlational data alone cannot establish causality, however, Green and Griesinger state the findings are consistent with arguments in the management literature that board performance can make a difference in the performance of the organization (Drucker, 1988; Herman, 1989, Houle, 1989).

Siciliano (1997) explored the relationship between formal planning and nonprofit organizational performance in 240 YMCA organizations. She surveyed the chief executive officers on several aspects of planning and conditions surrounding planning processes, and related these planning variables to two performance measures - objective financial indicators (ratio of total revenues to total operating expenses), and subjective rankings¹² by regional directors of the individual YMCA programs. Results indicated that the YMCAs that used a formal process for strategic planning had stronger financial ratios and higher social performance rankings than organizations with less formal

¹²Individual YMCA organizations are ranked from poor [1] to excellent [5] on the extent to which the organization fulfills its social mission—number and type of scholarships given, extent to which programs are developed in support of young people, families and seniors, for example.

processes. Better performers were also more likely to assign planning to a strategic planning subcommittee of the board than to the executive committee or an outside consultant.

Herman and Renz (1997) further explored the relationship between board effectiveness and organizational effectiveness by sampling stakeholder judgements. Using a Delphi process, they solicited criteria from practitioner-experts (individuals familiar with the sample organizations) that represented objective indicators of nonprofit organizational effectiveness. The researchers also constructed a scale of eleven items from The Self-Assessment for Nonprofit Governing Boards¹³ (Slesinger, 1991, 1999) to be used as the criteria for board effectiveness. The researchers then collected data on judgements of board and organization effectiveness and on the objective effectiveness indicators from various stakeholders of 46 health and welfare charities and 18 organizations serving individuals with developmental disabilities in one metropolitan area. Their aim was to examine the extent to which stakeholder judgements were consistent, and the extent to which stakeholder judgements were related to the objective indicators of organizational effectiveness.

Major findings indicated that the practitioner-experts involved in the study do not rely on bottom-line outcomes as meaningful indicators of organizational effectiveness. Instead, they prefer evidence of “doing things right,” which Herman and Renz refer to as “following correct procedures.” However, other types of organizational stakeholders, with the exception of funders, do not rely on evidence of correct procedures as a basis for determining whether they consider an organization effective. Performing correct procedures appears to be a limited, but incomplete measure of organizational effectiveness. All stakeholders (board members, board president, staff, funders, and/or

¹³ The Self-Assessment is a tool developed and marketed by the National Center for Nonprofit Boards for use in development exercises with nonprofit boards of directors. It contains 10 scales measuring responsibilities of boards of directors, for example, financial, training, planning, leadership, public image, etc.

organization management) appeared to use some socially constructed evidence of board effectiveness in forming judgements of organization effectiveness, controlling for board prestige. Board effectiveness was the most important determinant of organizational effectiveness for all three types of stakeholders (Herman and Renz, 1997, p. 201). Stakeholder judgements of board effectiveness were unrelated to board prestige ratings, but authors expressed the need to further study how stakeholders construct social judgements of board effectiveness.

Another major finding is that judgements of effectiveness varied according to which stakeholder was asked. As discussed above, practitioners' and funders' views relied on evidence of correct procedures, while CEOs, board chairpersons and board members judged effectiveness on the basis of effective board practices. Thus it may be unrealistic to assume that "there is a single objective organizational effectiveness independent of the judgements of various stakeholders" (Herman and Renz, 1997, p. 202). This finding complicates investigations of nonprofit effectiveness since the research appears to indicate that effectiveness cannot be determined based on measures from a single source. Herman and Renz propose that this finding may caution practitioners from placing too much confidence in widely promoted management techniques that promise increased effectiveness from their use. The assessment of whether these management techniques are successful will depend on who is asked, and further, each constituent with a stake in the performance of the nonprofit may assess results differently depending on their view of the relative importance of various measures of performance.

Finally, “given the high frequency of intentional board change” (72 percent) and the apparently positive outcomes¹⁴ for the boards observed in their study of 851 Canadian nonprofit organizations, Brudney and Murray (1998) test whether a relationship exists between board change and organizational effectiveness. For one measure, CEOs were asked to indicate on a ten point scale whether the performance of the organization had improved, worsened, or remained the same over the past three years. Responses to this questionnaire item were significantly higher from CEOs of boards that had undergone a planned change effort than responses from CEOs whose boards had not attempted change.

The second measure used to test the effect of planned change on organizational effectiveness was evidence of budget increases, decreases, or no change in budget levels over a three year period. A moderate association was observed between planned board change and a sound financial position (Brudney and Murray, 1998, p. 344).

Summary

Based on this review of board performance and organization effectiveness literature, several observations are relevant. First, effectiveness matters. “Studies of effectiveness of nonprofits are important because we need evidence on whether the many widely accepted hypotheses about the relation of management practices to effectiveness are indeed supported” (Herman, 1992, p. 414). In light of the increased amount of nonprofit activity in the business and human services sectors and the increased scrutiny directed at the nonprofit sector, effectiveness research will certainly continue.

Second, while the pursuit of emergent, process-oriented approaches of analysis may offer insights on how stakeholders, constituents and other nonprofit organizational

¹⁴CEOs whose boards had undergone intentional board development were more likely to feel their boards had improved in effectiveness than boards who did not undertake these efforts, were more satisfied with the impact of the development effort, and felt the resulting changes were successful in correcting the problems that were given as motivations for planning a board change (Brudney and Murray, 1998, p. 337-338).

actors conceive of effectiveness, there is still limited confirmation of the “many widely accepted hypotheses” (Herman, 1992) regarding the relationship of nonprofit board practices and behaviors and nonprofit management practices to organizational effectiveness. For example, what is the relationship between strategic planning and effectiveness? Between policy-setting boards and effectiveness? Between revenue levels and diverse funding sources and effectiveness? Researchers need to replicate and expand studies on these relationships and improve correlative studies, as well as continue to explore the emergent conceptions.

Third, while one study considered that alternative models of board governance or practice are employed in change and performance improvement efforts (Brudney and Murray, 1998) little is known about how application of different sets of board practices influence organization effectiveness. This study continues the important work of identifying potential correlates of effectiveness, determining board and organizational factors that may influence effectiveness, and in particular, tests whether a distinctive model of board governance has a greater impact on organizational performance in comparison to more traditional approaches.

The Policy Governance Model

The Policy Governance model was developed in the mid 1970's by John Carver. Trained professionally as a clinical psychologist (Ph.D., Emory University, 1968), Carver worked predominantly in management of public health and mental retardation services. In that capacity, he observed that management rested upon the “shaky foundation” of whether the chief administrator could determine the purpose for the organization’s work. He observed that administrators not only haphazardly established the end result that the organization was to achieve, but also set about working toward that end result in equally haphazard fashion. In response to these observations, he defined principles of governance, and designed a model of practice through which an organization could determine the reason for its existence and how organization members could work toward

achieving its purpose. The model also defined the relationship between the administrator and the board of directors, and established the parameters of action and behavior for the board itself. With the “Policy Governance” model, which he began actively promoting and teaching, John Carver hoped to bring “governance into the new age” (Carver, 1990, xvi).

Since the late 1970s, Carver has consulted and trained with hundreds of boards of directors and executive officers. He has worked primarily with nonprofit and public boards, and his interests have expanded to the boards of directors of for-profit organizations. Most of his work is conducted in the United States and Canada, but he has presented his model worldwide. Under the auspices of his consulting business, Carver Governance Design, Inc., he offers several training sessions per year to board members, chief executive officers and consultants. Carver and his wife have trained more than 100 individuals in week-long Policy Governance Academies (Brudney and Nobbie, in press). Many graduates of this intensive training then go on to teach the Policy Governance model as independent consultants. Carver has published a set of twelve “Carver Guides” for boards of directors, several books and videos; a national publishing house (Jossey-Bass, Inc.) distributes his newsletter to an extensive mailing list.

The Policy Governance model is intended to be “a sweeping revision, a new conceptual framework in order to conduct our engagement with purpose and performance” (Carver, 1990, xix). The model is designed “not to make boards better at the work they are doing, but to reinvent that work and its fundamental precepts, to design from the ground up a general theory - or at least a technology - of governance” (Carver, 1990, xix).

Description of the Policy Governance Model

As presented in Chapter 2, under the traditional model of board governance, the essential activities for running an organization are distributed through a tripartite system

composed of the board, staff, and executive director (Houle, 1997). The basic functions of a traditional board have been well described (Oster, 1995, Stoltz, 1997; Houle, 1997).

Other characteristics of traditional boards are related to the organizational structure. The organizations are hierarchical; the board is superior. The CEO is hired to assist the board, which establishes the standards, oversees programs, and is ultimately responsible for the organization's achievements and failures.

That the traditional model is viewed as consistent with a legal responsibility that holds directors liable. It provides standards for volunteers and paid staff that society values; to manage assets wisely, be kept informed on matters concerning the organization, to make good faith decisions in the best interests of the organization, and not profit personally through association with the organization. The legal privileges and public support for nonprofit organizations is justified to the extent they are directed by citizen volunteers who reflect these values through their work as members of boards of directors. Herman and Heimovics (1991) also argue that the traditional model remains viable because no alternative has displaced it.

According to Carver (1990), the traditional board model has accumulated a set of ineffective habits and practices that are readily observable in board meetings of nonprofit and public organizations. Carver observes that boards and board members "stumble regularly and visibly" (1990, p. 10). He perceives the reason is "not that a group or an individual occasionally slips into poor practice, but that intelligent, caring individuals regularly exhibit procedures of governance that are so deeply flawed" (p. 10). Traditional board practices are "obvious drains on board effectiveness" and while it does not take a "sophisticated model" (p. 10) to recognize these flawed practices, Carver promotes adopting the Policy Governance model to correct them.

It is important to note that Carver makes observations about the habits or conditions that have emerged from boards practicing under a "traditional model." Several shortcomings that are described below are not qualities of the traditional model

as it is described in the literature (Houle, 1990; Oster, 1995; Duca, 1996), but are conditions that develop in boards as they work under the traditional model. According to Carver however, these conditions are pervasive and historical, and “while some boards can avoid a few [of them], rarely does any one board avoid them all” (1990, p. 10).

Flaws of Traditional Governance vs Policy Governance

In his first book (Boards That Make a Difference, 1990), Carver outlines habits that have developed over the years under the traditional board paradigm, and then describes some of the prescriptions that have appeared to remedy the flaws. The prescriptions fail as well because they address one weakness at a time, and while they may correct poor practice under one set of circumstances, the remedy may be inappropriate under another set of circumstances. Carver’s Policy Governance practices are not prescriptions that have emerged in response to board failings. Carver intends the Policy Governance model to offer “a healthier set of governance concepts” (Carver, 1990, p. 12) that enables boards to realize their potential. “A model of governance is a framework within which to organize the thoughts, activities, structure, and relationships of governing boards” (Carver, 1990, p. 19). Table 2 presents Carver’s view of the flaws that have emerged under the traditional model, and his assessment of what a strong board governance model should offer.

Another desirable function of a strong board model is to describe the board’s relationships to relevant constituencies. Boards are trustees in either the legal or moral sense, and they are accountable to their consumers, staff, community and others. A model of governance should define how these various constituencies are considered.

While the traditional model lists different functions of the board as discrete elements, not connected to each other, the Policy Governance model categorizes the board’s work into two policy domains: policy related to “Ends” sought by the organization; and Means, the way in which the ends can be achieved. Within the Means,

policies are created that define chief executive responsibilities (Executive Limitations); the relationship between the board and staff; and the board's processes for governing.

Table 2

Flaws of Traditional Governance / What a Strong Board Model Should Provide

Traditional Habits	What a Strong Board Model Should Provide
Items of trivial scope or import get disproportionate attention compared with matters of greater scope or importance.	Board work must be based on values and be directed toward realizing a vision. Model should differentiate large matters from small. Model should force an external focus on needs and the market, not internal organizational mechanics.
Boards deal more often with events to occur in the near future or reports from what occurred in the past.	Model should force forward thinking, strategic leadership and demand a long term view. Model should offer a rational basis for self-imposed discipline.
Boards consistently react to staff initiatives rather than acting proactively.	Model should press boards toward leading and creating, not reacting and approving. The model should establish the mission in outcome terms, and enforce the mission as the organizing focus.
Boards spend a lot of their time reviewing, rehashing and redoing what their staffs have already done.	Model should enable boards to use volunteer members' time more efficiently and effectively. Model should provide more precise directives for information needed by the board to govern well.
Boards establish the CEO position, then relate officially with other staff, directing or evaluating them.	Model should clarify aspects of management and strike a balance between loose and tight control.
Authority between the board and executive is not clarified, but loosely defined.	Model should delineate the board's role so the specific contribution of the board on any topic is clear.

Source: John Carver, (1990) Boards that Make a Difference. Jossey-Bass Publishers, p.10-21.

Table 3 contrasts the discrete practices of the traditional board against the policy domains of the Policy Governance model.

Table 3

Traditional Board Model Practices Contrasted with Policy Governance Model Practices

Traditional Model	Policy Governance Model
Determine and evaluate mission	Establish Ends Policies
Select, support and evaluate chief executive	Means Policies: Select chief executive and establish executive limitations
Provide sound financial management	Means Policies: executive limitations; board-staff linkage; reporting
Secure financial resources	Means Policies: executive limitations; board-staff linkage; reporting
Approve and monitor programs and services	Means Policies: executive limitations; board-staff linkage; reporting
Assess board composition	Means Policies: governance process policies; self-assessment
Recruit and train new board members	Means Policies: governance process policies; self-assessment
Represent organization to the community; advance public image.	Means Policies: governance process policies: speak with one voice; identify and represent the “ownership”

Note: From Duca, 1996; Oster, 1995; Herman and Heimovics, 1991; Middleton, 1987; Houle 1990; Carver, 1990.

The Policy Domains

In the “Policy Governance Model,” the board governs proactively, rather than reactively or through event-specific decisions. The board must establish policies in two domains, ends and means. Means policies are further defined into three categories—executive limitations, board-staff link, and governance process.

Ends Policies

In Policy Governance, ends policies refer to “the effect the organization seeks to have on the world outside itself” (Carver and Carver, 1997, p. 135). The concept of ends

has three components. First, “ends” define the results to be achieved—“the impact, difference, change, benefit or outcome to be obtained in the lives of consumers or consumer-like populations” (Carver and Carver, 1997, p. 135). Second, “ends” names the recipients—“the identity, description or characteristics of the consumers or populations to receive the results” (Carver and Carver, 1997, p. 135). Third, “ends” establishes the boundaries of cost—“the monetary expense, relative worth, or relative priority of a result or set of results, or the comparative priority of certain recipients rather than others getting the results” (Carver and Carver, 1997, p. 135). Carver has reduced this explanation of ends to a single phrase, “Which consumer results are to be achieved, for whom, and at what cost” (Carver, 1996, p. 7). Ends policies must include these three elements.

Carver “intentionally risks overkill” in describing what must be included in the ends statement because he says, “Despite its simplicity, it is persistently misinterpreted” (Carver and Carver, 1997, p. 136). For example, boards that equate ends with results mistakenly assume that ends are only concerned with outcomes. Carver intends ends to be defined more broadly than outcomes. Ends are also not limited to that which is required by law, or that which is considered important, or what may be the end point of any process. The programs established, or processes to be put in place to achieve an outcome are also not ends - they are means to the ends. Ends policies proscribe how the organization will change something in the world, identify who will benefit from that change, and establish parameters for the cost the organization will bear to see that change occur.

Means Policies

Three policy areas exist in the means domain; Executive Limitations; Board-staff linkage; and Governance process. Carver recommends designing policies in this domain before undertaking work on the ends policies. The means policies lay the foundation for the board’s job, its relationship with management, and establishes the boundaries of acceptable practice for the chief executive by clearly delineating those practices which

are unacceptable. Work on the means policies can proceed quickly, and once complete, the board has mechanisms in place to develop and enact the ends policies, which represent the real work of the board.

Executive Limitations

Principles of prudence, ethics and legality limit the choice of staff means, practices, and methods. Rather than present the chief executive with a list of acceptable practices, necessitating approval for every executive decision, the board establishes the boundaries of acceptability within which methods and activities can responsibly be left to staff. Figure 3 illustrates the differences between the two types of executive action.

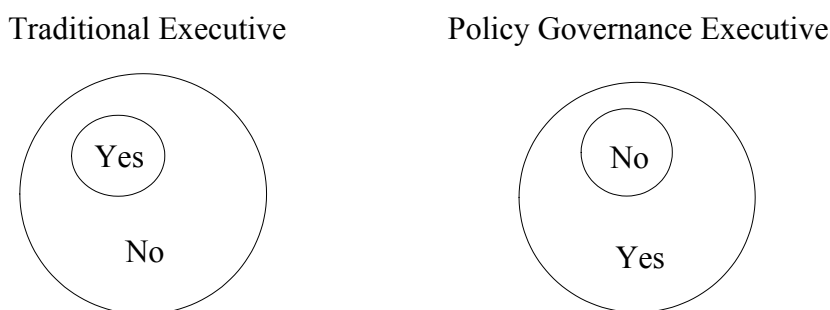


Figure 3: Executive Authority under Traditional and Policy Governance Models

The traditional executive is given a small area of responsibility and authority within which he or she can make decisions without consulting with the board. This is illustrated by the “Yes” circle. The area designated by the “No” circle represents executive actions that require board approval. In contrast, the executive in the Policy Governance model is given a small area of “executive limitations”—those actions prohibited because they are “imprudent, illegal or unethical,” represented by the “No” area. Otherwise, decisions regarding how the work of the organization proceeds is left for the executive to determine, represented by the larger “Yes” area. By setting limitations, the board restricts the CEO’s choices to practices, operations, programs, or

financing that the board has deemed acceptable. Aside from that which is restricted, the CEO has the discretion and freedom to be creative in implementing the board's charge.

Board-staff linkage

According to Dr. Carver, no single relationship in an organization is as crucial as that between the board and the executive director, and no single relationship is as easily misconstrued (Carver, 1990, p. 109). While the Executive Limitations policies empower the chief executive with a great amount of discretion, the policies establishing the relationship between the staff (executive) and the board set forth how the chief executive is accountable for activities undertaken within the bounds of that discretion. Through these linkage policies, the board clarifies the manner in which it delegates authority to staff as well as how it evaluates staff performance on provisions of the ends and executive limitations policies.

Effective linkage policies are only possible if the board has defined the CEO's role.

The CEO is hired to coordinate the many activities of the organization and is "accountable for all the parts coming together in an acceptable whole" (Carver, 1990, p. 110). The CEO's role encompasses two features: authority and accountability. In the Policy Governance model, the CEO occupies a position comparable to the narrow waist of an hour glass. Above the CEO, a group of individuals acting as one (the board), determine the purpose and production of the organization. The board governs the whole organization by funneling their authority through the CEO. Below the CEO, activities of the staff fulfill the expectations of the board. The CEO is accountable for the process and results of those activities. Therefore, the CEO holds the unique position through which authority is funneled downward, and accountability is funneled upward, but most importantly, both accountability and authority flow through a single point in the organization structure.

The board's communication with the CEO must be stated in clear and simple terms. The board determines what constitutes a formal board-CEO communication, what that communication must contain, as well as who has the right to interpret board communications. The CEO works only for the board as a whole, not for the chair, committees, or individual board members. Formal board communication transpires at regular board meetings. In the broadest sense, the communications contain what the board charges the CEO with accomplishing (the ends policies) and what means are out of bounds in the process of attaining the ends (executive limitations policies). In order to adequately empower the CEO to accomplish the ends while not violating the means, the board must give the CEO authority to interpret the ends and executive limitations policies.

In this arrangement, the CEO is accountable to the board for the success of the entire organization.

What distinguishes Policy Governance from the traditional model is that the board's relationship with the CEO "must be formed around the accountability of the position, not the position's individual tasks, which can vary from CEO to CEO" (Carver, 1997, p. 5). In other words, it is not the board's concern what individual actions the CEO decides to undertake, or what responsibilities he or she chooses to delegate. The board is only concerned with the CEO's ability to achieve the ends without violating the means. The simple but explicit relationship keeps the board from meddling in staff work, and the CEO from taking over the decision-making prerogative of the board.

Governance Process

The final set of policies outline the board's responsibility for itself. The board determines its philosophy, its accountability and the specifics of its own job. The first aspect of the board's responsibility is the relationship to its moral ownership. A nonprofit organization can have many stakeholders--individuals or groups who have an interest in the organization's purpose and activities. Carver designates a special class of

stakeholders as “owners” – those *on whose behalf* [italics his] the board is accountable (Carver, 1990, p. 131). The owners serve as the origin of board accountability, and Carver states that this special designation prevents them from being lost in the array of numerous stakeholders an organization can have. Owners are conceptually separate from stakeholders and beneficiaries, although there may be overlap between the two groups.

The second aspect of the board’s responsibility is stewardship. The board is responsible for “its own development, its own job design, its own discipline, and its own performance” (Carver, 1990, p. 133). Although other parties may be interested in influencing the effectiveness of a board, only the board members can be held accountable for how the board governs. The board may invite the CEO to provide motivation and assume leadership for guiding the board, but according to Carver, this is a mistake. Under good conditions, well-meaning and ethical chief executives will lead the board, prodding them to act and govern responsibly. Without the board’s wholehearted involvement in its own process, however, the CEO’s cheerleading is superficial. Under the worst conditions, unethical and dishonest chief executives will take advantage of a board’s tacit approval of the CEO’s direction, leading them into financial or legal difficulties.

The third aspect of the board’s responsibility is guiding its behavior as a group while accepting the diversity and individuality of its members. A board that has established disciplined governing will be more able to address dissent among a few members, power struggles, or digression from the organization’s ends. Without standards upon which to base board decisions and behavior, conflicts are interpreted as struggles between individuals, resulting in ill feelings rather than resolution. Board process policies provide the chairperson with a foundation upon which to decide matters of conflict, dissent, and distraction. Without these policies, the chair’s decisions are based on personal judgement.

The last aspect of the board's responsibility is designing the products that are essential for governance, and according to Carver, these products cannot be delegated. First, the board must establish the linkage to the ownership. Second, the board has the obligation to fulfill fiduciary responsibility, guard against risk, determine program priorities, and generally direct organizational activity. These areas comprise the explicit governing policies. The third product is assurance of executive performance. The board insures that the staff meets the criteria it has set.

In summary, the governance policies describe the board's job. The policies address the use of time and resources, set standards for leadership and group consensus, establish procedures for holding the staff accountable for their delegated work, and establish the structure and organization of the board.

The four policy areas outlined above are intended to be exhaustive. According to Carver's model, there is nothing the board needs to say that does not fit into one of these categories¹⁵. The policies are created, not merely approved, by the board and reflect the board's wisdom. The policies "profoundly alter the nature of board dialogue, documents, accountability, and the capacity for strategic leadership" (Carver, 1990, p. 38).

The board designs its policies on the basis of values and perspectives. Values guide the agency as to what is acceptable or unacceptable, prudent or imprudent, right or wrong. Perspectives are "a way of looking at" an issue, or a "conceptual point of view" (Carver, 1990, p. 26). Carver states that organizations develop frameworks of values and perspectives that determine specific behaviors and decisions in the face of specific facts. How they select what is relevant from the environment is also determined by the same framework. The Policy Governance model departs from traditional board practice because the values, perspectives, and criteria for interacting with the environment are clearly defined in board-generated policies. Policies must be explicit: consistent, current,

¹⁵ The board may also have by-laws, which satisfy legal and financial obligations.

carefully selected from among alternatives, literal, brief, centrally available, referred to and adhered to obsessively (Carver, 1990, p. 30). In Carver's words, "Policy development is not an occasional board chore, but its chief occupation" (1990, p. 54). Careful deliberation of the four policy areas also enables the board to present a unified stance -- "speak with one voice" -- to constituents, stakeholders and staff (Carver and Carver, 1996).

The underlying principles of board governance and the steps by which a board can redesign its governance process with the Policy Governance model are explicated in great detail in Carver's books, guide, tapes and newsletters. He views himself as a missionary - his role is to spread the word. He does not evaluate or assess how organizations, the consultants and trainers they may hire, board chairs and members, chief executive officers and other leaders interpret, implement and apply the model. Thus there is the potential for great variability in the application of the Policy Governance model. The potential for variability in the implementation of the Policy Governance model, and how that variability influences board and organization performance are central concerns that prompted this research. Later chapters explore these linkages empirically.

Concerns and Criticisms of the Policy Governance Model

Carver advances strong claims about the Policy Governance Model. First, he asserts that it is the only model¹⁶ for board practice. He writes, "although...there have been *practices* of governance, one could not speak of a *theory* of governance or even a *technology* of governance, for there was none. And if the word model is used to mean a conceptually coherent framework...one could not even speak accurately of a *model* of governance...Policy Governance is arguably the only conceptually coherent, generic model of governance" (Carver, in Foreword to Oliver, 1999, p. xiii-xvi). Carver defines

¹⁶Carver defines a model as "a collection of principles and concepts that make sense as a whole. A model is internally consistent and has external utility." (John Carver, in Foreword: The Policy Governance Fieldbook, Oliver, 1999, p. xv)

“model” as “a collection of principles and concepts that make sense as a whole. A model is internally consistent and has external utility” (Carver, in Foreword to Oliver, 1999, p. xv). The four policy areas he denotes - Ends, Executive Limitations, Board-Executive Relationship, and Board Process -- encompass the operational aspects of board governance, and cannot exist in isolation. He states, “it is an integrated system of concepts, process and philosophy” (Carver, 1999, Brief Summary).

Carver considers Policy Governance a “paradigm shift” that cannot be applied incrementally, or by selecting more desirable or more easily adopted parts; it must be adopted in total. Dr. Carver is aware of the difficulty boards may have in implementing the model. He writes, “If experience is any guide, we know that boards are far more likely to use part of the model than all of it. That tendency testifies to the eclecticism and independence of judgements of boards, but unfortunately it also means that most boards that profess to follow the Policy Governance model are not getting anywhere near its full power to transform board leadership” (Carver, in Oliver, 1999, p. 221). He asserts that if a board learns the model, then decides to implement it, then it “should be implemented rigorously in order to benefit from its powerful potential” (Carver and Carver, 1997, p. 35).

Many nationally prominent organizations have instituted Policy Governance in their boards of directors, and they express enthusiastic praise for the model. Among the positive aspects of the model, they note “enhanced understanding of long range strategic leadership issues” (Planned Parenthood); “freedom for the board to concentrate on establishing policy and for the staff to implement that policy” (Lutheran World Relief); “an unconventionally and eminently sensible guide to good governance” (Amherst H. Wilder Foundation). The flyleaves of Carver’s books (Carver, 1990; Carver and Carver, 1997) contain praise for the model from the board chair and CEO of Tennessee Managed Care Network; the board of directors of British Petroleum; and the American Management Association. Survey respondents from a study conducted with over 100

consultants who teach the Policy Governance model to nonprofit boards also offered praise for the model. One stated, “I was an administrator and CEO for 20 plus years, and when I heard of the model, the lights came on....The only way to govern, should be mandatory for all boards” (Nobbie and Brudney, in press).

Scholars, however, raise several cautions concerning the Policy Governance model. First, some observers suspect that many practitioners implement only parts of the model. For example, they may borrow the aspects that deal with immediate concerns perhaps because the “paradigm shift” to Policy Governance strikes them as too difficult or time-consuming (see Oliver, 1999).

A second concern of students of nonprofit governance and those who try to implement the model is that “while it seemed easy to understand in the abstract, it was difficult to implement in practice” (Murray, 1999). The model is highly prescribed and challenging to understand and absorb. Implementation of the model requires a dedication and discipline that may be beyond the “frail humans” (Murray, 1999) who volunteer for board directorships. Some evidence of the complexity of the model is apparent in survey responses from attendees of the Policy Governance Academy for consultants and trainers. One trainer-consultant commented, “I still haven’t figured out how to address the barriers and difficulties or help the paradigm shift that needs to occur in the board members.” Another writes, “I am not certain I have the tools to be challenged by a board as to the validity of this system over a more conventional method.” A third stated, “There are no short cuts or easy answers with Policy Governance” (Brudney and Nobbie, in press, p. 22-23).

A third claim that raises skepticism by scholars is that Policy Governance is universally applicable “to *any* governing board, to *any* type of organization, in *any* culture, at *any* stage of development” (Carver, 1999, Brief Summary; Training Packet materials; italics in original). Scholars’ concern is that promoting any model universally “insidiously creates the impression that all organizations are alike” (Ryan, 1999, p. 11).

Murray writes, “When it comes to board governance patterns, hardy hybrids of many models can flourish. There really is no one best way” (Murray, 1994, p. 5). Scholars hypothesize that grassroots organizations, all-volunteer associations, and entrepreneurial organizations offer examples of boards where a universally applied governance model would be problematic (Ryan, 1999).

A fourth criticism is that the model does not address all the major issues that trouble boards. Murray (1999) cites four omissions; membership composition and recruitment; how to acquire sufficient expertise to develop adequate ends; procedures for grappling with the “messy problems” facing nonprofit boards; and guidance for evaluation of performance. Concerns exist that it is difficult to maintain the model over time, or under conditions of frequent board member turnover. Several trainer-consultant respondents addressed concerns in these areas (Brudney and Nobbie, in press). One consultant respondent writes, “I find two areas that make it difficult for a board to keep John’s work in place - [the second is] board turnover - it takes too long for new board members to understand - it takes too much training for new members.” Other respondents expressed that the model has inadequate provisions for monitoring the financial activities of large, complex organization. For example, one respondent writes, “In health care organizations of over 300 hundred million dollar annual budgets, issues on quality, finance, etc. are regular board issues. I find it difficult to discuss these accountability mechanisms purely in the Policy Governance model and tend to rely more on conventional operational efforts.” However, Carver would claim that failure to accomplish the ideally functioning board is a result not of the model, but a failure to apply it properly (Murray, 1999).

Fifth, Policy Governance maintains strict division between the policy-making role of the board and management by the CEO. However desirable this division may be in theory, practitioners find it difficult to apply. Research indicates that regardless of what roles are prescribed on paper, CEOs often end up leading the board (Herman and

Heimovics, 1991, Heimovics and Herman 1990; Young, 1987; Gronjberg 1991).

The strong claims of the Policy Governance model that Carver advances in terms of its integrity, coherence and effects on board and organizational performance should alert researchers to test those claims. The Policy Governance model has been promoted and used for more than twenty years, in thousands of organizations and boards of directors. In contrast to the response of researchers and scholars to the assertions of other popular management practices, use of the Policy Governance model has not elicited comparable or adequate efforts to support or refute the claims promoted in Carver's publications and promotional materials.

It is important to note that the criticisms cited here deal with perceptions of the model's difficulty or limited applicability, and record the views of various observers on what the model may be lacking. The validity of those perceptions has not been tested. No empirical work has provided evidence that the model has failed from a theoretical point of view - that it is internally inconsistent, or cannot result in more effective organizations. This lack of formal testing of a widely used and promoted governance and management practice is an omission that numerous scholars (Murray, 1999; Renz, 1999; Cornforth, 1999) including Carver (Carver, personal correspondence, August, 1998) have voiced. The need for a systematic, empirical study into the claims Carver makes about the Policy Governance Model is the primary motivation for the present research.

Based on a sample of nonprofit organizations that have implemented the Policy Governance model (or are in the process of implementing) and control samples, this dissertation examines the model. It tests the extent of implementation of the Policy Governance model; what parts of the model are more or less likely to be adopted; whether implementation varies across different types of organizations, and whether implementation is impacted by variations in board circumstances, such as board size, revenue level, organization age, and other conditions. The model is then tested for impact on board performance. Finally, the dissertation tests implementation of the Policy

Governance model in relation to the effectiveness of the organization. To date, this is the first study to test the model against criticisms and perceptions of the model in a systematic, empirical fashion.

Effectiveness Measures for this Study

In this study, assessing the effectiveness of the sample of Policy Governance organizations and a comparison set of organizations developed around several precepts. The research focus is on whether or not the organizations are more effective since adopting the Policy Governance Model, rather than processes of conceptualizing effectiveness. Thus, the research is concerned with the correlates of effectiveness, (as in Green and Griesinger, 1996; Bradshaw, Murray and Wolpin, 1992; Holland, Chait, and Taylor, 1989; Brudney and Murray, 1998) and not emergent theories, which are based on social constructions of effectiveness (Herman, Renz and Heimovics 1997). There are accompanying limitations of identifying correlates, one being that even using several ways to measure effectiveness does not account for the total performance of the organization (Forbes, 1998). With these limitations, the focus of the present research is on the degree to which implementation of the Policy Governance Model is related to certain measures of organizational effectiveness.

Several criteria guided the selection and development of the effectiveness criteria. First, the indicators needed to elicit information on several different types of organizational effectiveness. The facets of effectiveness considered are: financial ratios, job satisfaction, goal achievement, internal processes, and CEO performance. Second, the indicators had to be defined broadly enough to measure achievements of organizations widely distributed across substantive areas, organization size and structure. Carver asserts that any organization can use the Policy Governance model with slight modifications (Carver, 1990). Therefore, the measurements must assess effectiveness across any organizational type.

Third, criteria for evaluating the effectiveness of organizations using the Policy

Governance model should be comparable to other research studies in the nonprofit field. Carver frequently states that “ a crude measure of the right thing is better than a precise measure of the wrong thing” (Carver, 1990, p. 80). In order to support or refute Carver’s claims that Policy Governance is the one best way (Carver, 1998, p. 4), and can serve any organization equally well, evidence of effectiveness must be comparable to that which can be obtained from any nonprofit organization, not just those which use the Policy Governance model.

Chapter 3 elaborates the model developed for this study. The model considers the perspectives of three components of the nonprofit organizational system--the board of directors, the CEO and board chairpersons. The model proposes that the extent to which a board implements the Policy Governance model will influence perceptions of the performance of the board, which in turn, will impact organizational effectiveness in any of five dimensions - goal achievement, satisfaction, internal processes, financial health, and CEO performance. The model also hypothesizes that organizations that have implemented Policy Governance will rate more highly in effectiveness measures than organizations in a random sample using other governance practices. Chapter 3 presents the model, the hypotheses to be tested, and explanation of the variables used for the analyses.

CHAPTER 3

A FRAMEWORK FOR ASSESSING THE POLICY GOVERNANCE MODEL

Chapter 3 presents a framework for assessing implementation, board performance and organizational effectiveness of the Policy Governance model in a sample of nonprofit boards of directors. The questions to be examined in this study represent four approaches in assessing the use of the Policy Governance Model. First, the degree of implementation of the model in 32 diverse nonprofit organizations is measured. Second, the relationship between the degree of implementation and perceptions of board performance is explored. Third, CEOs' judgements of the effectiveness of Policy Governance in the organizations they manage is related to the degree of implementation of the model in the boards of directors of those organizations. Finally, perceptions of organizational effectiveness from the CEOs of Policy Governance organizations are compared to perceptions of effectiveness from CEOs in two control groups: a stratified random sample of nonprofit organizations in the United States, and a sample of organizations whose boards of directors have had development training from the National Center for Nonprofit Boards.

Chapter 3 presents the hypothesis related to each major research question, and the research that supports the indicators selected for the surveys used to elicit the data. Figure 4 below presents the main components of the framework proposed to test the implementation, board performance, and organizational effectiveness of the Policy Governance model. The first portion of the framework indicates the hypothesized positive or negative influence of selected organizational and board characteristics on implementation of Policy Governance. Level of implementation of the model, in turn, is thought to impact board performance, as measured by board member, CEO and board chair perceptions of changes in board performance following adoption of the model.

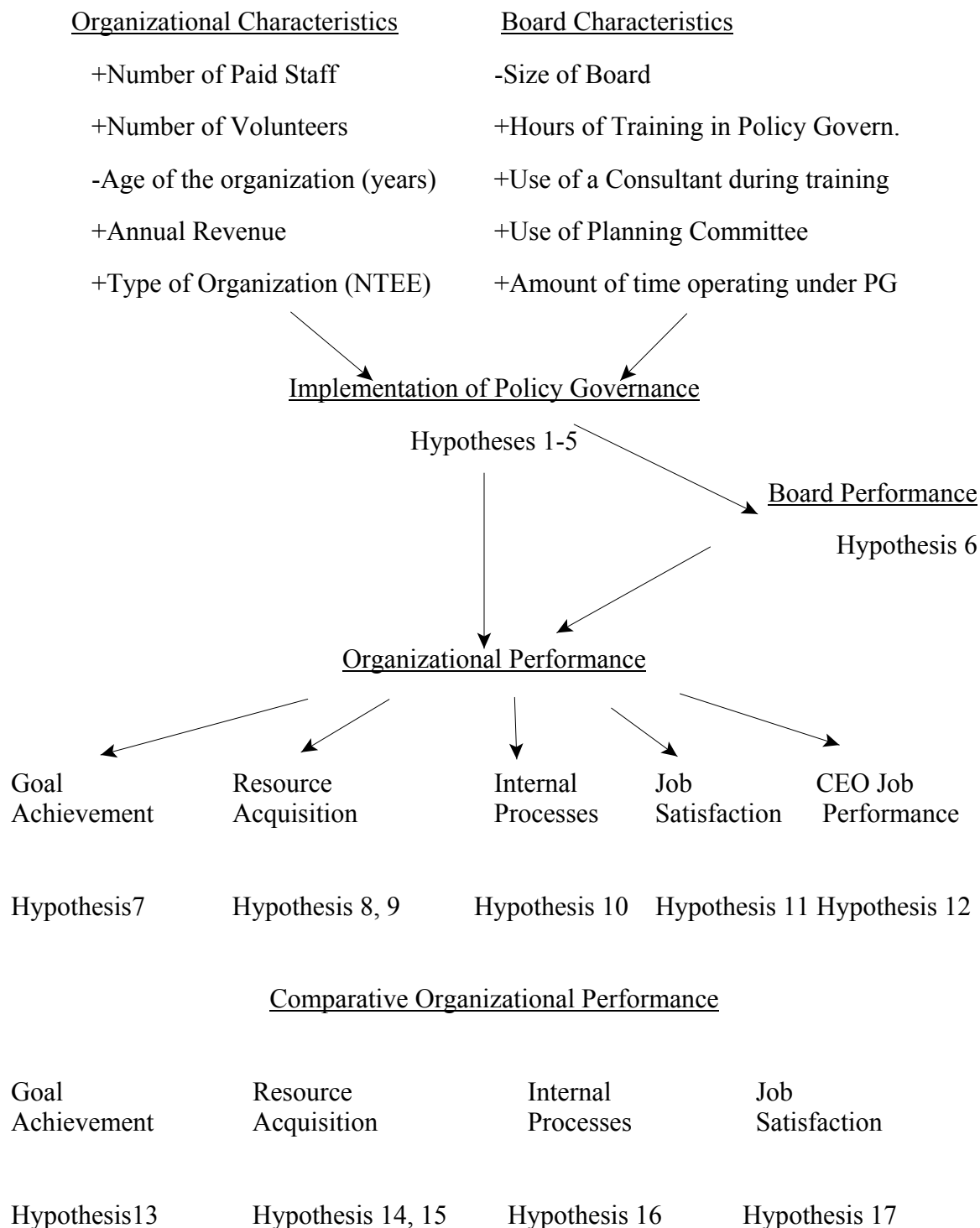


Figure 4: Framework for Testing Implementation, Board Performance and Organizational Effectiveness of Policy Governance

Finally, level of board performance is hypothesized to impact organizational effectiveness, measured by strength of ratio of revenue to expenditures, CEO job satisfaction, goal achievement, internal processes, and, in Policy Governance organizations, CEO job performance. Chapter 4 provides definitions of all measures.

First Research Question: Differences in Board Practices and Implementation

The first major research question states:

Is there a difference in board practices before and after adoption of the Policy Governance Model? Is the model implemented similarly in boards from diverse sectors of the nonprofit classification system?

One of the recommendations for implementing the Policy Governance model is to “move in one fell swoop” (Carver and Carver, 1997, p. 180). If, as Carver asserts, adopting Policy Governance is a “paradigm shift,” and “a change of such magnitude” (Carver and Carver, 1997, p. 180), then changes in board members’ behavior and practices should be measurable from before adoption to after adoption of the model. These questions test the primary claim of Carver regarding the Policy Governance model—that it is not “incremental improvement in the capacity to govern, but transformation” (Carver, 1990, p. 23). A designed model “yields a new nature of governance” (Carver, 1990, p. 19). The first hypothesis tests whether board members’ stated practices indicate that the shift in governance behavior has occurred.

H1 Board members score higher on indicators of Policy Governance practices and lower on traditional board practices after implementation of the Policy Governance Model.

Changes in behavior and practices will be determined by calculating board members’ mean responses to 8 items reflecting traditional board practices and 12 items representing Policy Governance practices. Two scales of board practice will be constructed from the mean responses of each set of items. Three analyses will be

employed to test this hypothesis: a comparison of the means of the two scales; a paired samples t-test to measure the difference between the two scales; and an analysis of the measure of traditional behaviors and Policy Governance-type behaviors before implementation of the model.

Relatedly, is the model implemented similarly in boards from diverse sectors of the nonprofit arena? The second hypothesis tests Carver's claim that Policy Governance can be applied "to *any* governing board, to *any* type of organization, in *any* culture, at *any* stage of development" (Carver, 1999, Brief Summary; Training Packet materials; italics in original). In Reinventing Your Board, Carver and Carver (1997, p. 4) state, "Policy Governance was designed to be generic, so it should be applicable whenever a board faces the task of governing. We have certainly found situations in which Policy Governance is more difficult to implement....[where] varying types of organizations and circumstances impose idiosyncrasies on the way the model is applied. But our interactions with board members and executives in widely different cultures from several continents support our confident assertion that the model works very well in any situation." Scholars however, have strong reservations about the ability of any one model to apply equally well in different organizational settings (Ryan, 1999). The 32 organizations in the research sample represent 5 major categories of the National Taxonomy of Exempt Entities; education, environment/ animals (wildlife), health, human services, public/societal, religious; three organizations are in the unknown/unclassified category. The range of organization mission categories enables a test of Carver's claim that organizational type is not a factor influencing successful adoption of the model. The second hypothesis states:

H2 There is no significant difference in implementation of the Policy Governance model between the governing boards of the organizations in this sample in different mission categories of the NTEE classification system.

Analysis of variance (ANOVA) procedures will be conducted to determine whether the mean of board members responses to items on the Policy Governance behaviors implementation scale differs between organizations in different categories of the nonprofit classification scheme. A significant difference between board members' mean responses on the Policy Governance implementation scale by organization in different mission categories provides evidence to support the hypothesis.

The next area for examination is the extent to which the model is implemented in an organization. Specifically, did the organizations in the sample implement the whole model as a complete and integrated framework, or did they implement only parts of the model, as scholars and practitioners suggest can occur (Murray, 1999). A study of consultants who have been trained in Policy Governance and teach the model indicated that 56% of the consultants surveyed teach the model "entirely and exclusively" (Brudney and Nobbie, in press). However, 27% indicated that they "use a mixture of governance models/methods including Policy Governance," or they use "parts of the Policy Governance Model" (Brudney and Nobbie, in press). It is important to note that the extent to which organizations employ the model completely is an implementation issue. The results of this analysis do not speak to whether the model has internal integrity and is conceptually sound. Carver himself acknowledges that many organizations are probably not implementing all the components of the model, and that many claim they are Policy Governance organizations when in fact, they are not.¹⁷ The third hypothesis states:

- H3 Across diverse nonprofit organizations, indicators of components of the Policy Governance Model will be positively correlated among one another.

¹⁷This comment was made to the researcher following a training session in September, 1998

Evidence regarding Hypothesis 3 will be derived from the Pearson's R correlation analysis of the 12 Policy Governance behaviors to determine if they are inter-related. The procedure will also be conducted controlling for the amount of time the board has been operating under the model calculated in number of months. If board members are implementing the model as a whole, then to the extent they practice one Policy Governance behavior, they will tend to practice all of them. Consistency of implementation among behaviors will be evident in statistically significant correlations across behaviors.

One particular organizational characteristic that may influence successful adoption of the Policy Governance model is the size of the board. Caroline Oliver (1999) traced the implementation of the model in 11 organizations and observes that board size can jeopardize boards' discipline and enthusiasm (1999, p. 170). She asserts that the existence of a large board does not preclude successful implementation, but board members need to be more rigorous in maintaining discipline during the implementation phase. Other researchers have noted a negative relationship between board size and board performance. Bradshaw, Murray and Wolpin (1992) found that bigger boards had poorer reputations. Chitayat (1980) found that large boards in private companies in Israel were seen as relatively not effective. Houle (1997) cautions that large boards may hinder deliberation, risk the development of "inner boards" and find that attendance declines because the quality of participation is poorer. Size of board is an organizational characteristic that needs to be considered when assessing the success of a change in governance. The fourth hypothesis states:

- H4 Boards with 15 or more members will score lower on
 indicators of Policy Governance behavior than boards
 with less than 15 members.

Hypothesis 4 will be supported with evidence that there is a significant difference between the mean scores representing Policy Governance behaviors for members of

larger boards (≥ 15 members) than for smaller boards (< 15 members).

Numerous studies of board and organization performance in the literature cite common organizational characteristics that have been analyzed in terms of their effect on board performance and organization effectiveness. Few studies, however, address implementation of particular models of board governance practice in nonprofit organizations or to what extent organizational or board characteristics impact the success or failure of implementation efforts (See Brudney and Murray, 1998, for a review of literature related to board development efforts). This lack of empirical research on implementation of governance models also applies with respect to the Policy Governance model. In light of the gaps, several variables representing board and organizational characteristics were employed in the study design to assess their impact on implementation of Policy Governance, and on board performance in organizations using the Policy Governance model. Following, seven hypothesis representing board and organizational characteristics are presented, and their predicted relationship to either implementation, board performance, or organizational performance is discussed.

Hypothesis 5a states:

H5a The greater the number of paid staff in a nonprofit organization, the greater the level of implementation of the Policy Governance model.

Number of paid full time and part time staff have been reported as being positively related to better board performance or greater organizational effectiveness. Cook and Brown (1990) found that organizations rated most effective (by outside professionals) had more staff than those rated least effective. Cornforth and Edwards (1999) found that size and strength (defined as number and quality of staff) of the organization supported colleges' capacity to recruit high quality board members. In Brudney and Nobbie's study (in press) of trainer-consultants who teach the Policy Governance model, 41% of the respondents indicated that "multiple levels of hierarchy-

many paid staff' would have a positive effect on implementation of the model. (Forty-eight percent responded this characteristic would have no effect, while 10% felt many paid staff would have a negative effect on implementation.) The perception that many paid staff eases implementation of Policy Governance may be related to the desire to maintain separation between the board's governance function and the staff's implementation function. For example, in the same sample of trainer-consultants, 82.9% responded that an organizational condition of "No hierarchy-board is staff" would negatively impact the implementation of Policy Governance. This hypothesis will be tested by relating the number of full time and part time staff to the dependent variable, PGORMN, the means of board members' Policy Governance behaviors measured at the organizational level.

The number of volunteers employed may also impact implementation of a board governance model. Smith and Shen (1996) studied all-volunteer organizations and found that volunteers' participation on committees was important since they involved members actively in the governance and operations of the group. In this capacity, volunteers functioned like paid staff. In the same study (1996), Smith and Shen found stronger relationships between volunteers and reputational effectiveness for organizations reporting more active committee members, and those reporting greater numbers of committee members. Conceivably, the active involvement of volunteers could assist staff in carrying out the day to day operations of the organization, allowing the board to concentrate on the issues surrounding the adoption of new governance practices. Therefore, hypothesis 5b states:

H5b The greater the number of volunteers in a nonprofit organization,
 the greater the level of implementation of the Policy Governance
 Model.

The age of an organization is another organizational characteristic examined in nonprofit literature. Most analyses find increased age is related to enhanced

organizational effectiveness. Smith and Shen (1996) found that older organizations received significantly higher effectiveness ratings than organizations less than five years old. Murray, Bradshaw and Wolpin's (1992) research indicated that younger and smaller organizations tended to have "powerless boards." Older organizations may have greater financial stability, and therefore a more established base for attempting a dramatic change in board governance. However, this dissertation study proposes that younger, or even new organizations may more easily adopt the Policy Governance model because the board would not have to undo the habits ingrained over years of traditional practice. Support for the position that implementation may be negatively impacted by advanced organizational age comes from trainer-consultant data (Brudney and Nobbie, in press) and anecdotal comments from board member respondents to the implementation survey.

Hypothesis 5c therefore proposes:

H5c The older an organization, the lower the level of
implementation of Policy Governance.

The analysis will examine the relationship between the age of the organizations in the sample and the organizational-level mean of Policy Governance behaviors.

Training is thought to have a positive influence on board performance and organizational effectiveness. Herman, Renz and Heimovics (1997) found that board development was the most widely implemented practice in a sample of 64 Health and Welfare and Developmental Disabilities organizations. Cornforth (1999) determined that lack of training works to the detriment of the organization, and a later case study (Cornforth and Edwards, 1999) of four NGOs in Great Britain reported that board members expressed the need for more development activities. Cook and Brown (1990) concluded that boards need training to be effective. The CPOs in sixteen organizations studied by Green and Griesinger (1996) indicated that board development was one of the most significant areas distinguishing more effective from less effective organizations.

Despite the lack of studies testing the relationship between board training and successful implementation of new governance models, the amount of training is a factor thought to be particularly pertinent in implementing the Policy Governance model. Although Carver makes no recommendations for the amount of training necessary to institute Policy Governance, he asserts that board members should be very familiar with the model before undertaking implementation, and that it is helpful to have a leader who knows the model well and can keep the board on track. It is expected that there will be a positive relationship between the number of hours of training the board has received and the level of implementation of the Policy Governance model.

Hypothesis 5d states:

H5d The greater the number of hours the board has been trained in the Policy Governance model, the greater the degree of implementation of the model in this sample of nonprofit organizations.

Another common element mentioned in the literature as having a positive influence on performance involved formalizing the implementation process. Oliver (1999) recommended formal planning, including the creation of a transition work plan, to guide the board in the process of adopting Policy Governance. Clearly delineating the tasks necessary to move toward implementation, and recording the board's accomplishments in the transition process keeps the board from losing its focus or commitment during implementation (Oliver, 1999, p. 48). In a sample of 11 boards, Oliver also found that having a formal structure for implementation was one of the three factors most strongly influencing effective adoption of the model. Among other requirements, contributing to formal structure entailed instituting a planning process that keeps the board on track during implementation and forms the basis for discipline and commitment after implementation. Other studies identified similar benefits of formal mechanisms for enhancing performance. Siciliano (1997) found that a strategy subcommittee contributed to formalization of the planning process and to higher levels of

social and financial performance in the organizations in the study sample (240 YMCAs). Smith and Shen's (1996) study of volunteer nonprofit organizations found that committee structure (presence of several, active committees) contributed positively to organizational effectiveness. Thus, this study considers that use of a planning committee specifically charged with overseeing a board development process will contribute to the successful implementation of Policy Governance.

For the purposes of this dissertation, "formal process" was operationalized as use of a planning committee to assist the board in implementing the Policy Governance model. In the Policy Governance model, establishment of committees is recommended only to assist the board with its work, and only for the duration of the task that needs to be accomplished (Carver and Carver, 1997, p. 52). Use of a planning committee to determine the work that needs to be accomplished in order to successfully implement the model meets these recommendations. Hypothesis 5e states:

H5e Boards that use a planning committee to assist with
 implementation of the Policy Governance model will
 score higher on indicators of that model than boards that
 did not use such a committee.

Another factor thought to influence the implementation process is the use of a consultant. Findings regarding the effect of a consultant are mixed in the literature. Siciliano (1997) found that board development planning systems were no more formal when consultants were used, but she found no evidence of dysfunction¹⁸ with the use of professional planners. Brudney and Murray (1998) found no significant difference on perceived success measures (CEO's perception of the success of intentional efforts to change the board, on the board's effectiveness) between boards that used consultants and boards that did not. Carver himself does not espouse the use of consultants, but does

¹⁸O'Connell (1985, p. 82) noted that professional planners can "scare voluntary agencies away from sensible beginnings by making planning sound more involved than it really needs to be."

consider them “cheap insurance” against faltering in the implementation process provided they are well versed in the model (Carver and Carver, 1997). Due to the complex nature of the model’s principles and framework, and the reality that few board members can make the time and financial investment to attend Policy Governance training themselves, it is proposed that a consultant will have a positive impact on the implementation of the model in a board. Accordingly, hypothesis 5f states:

H5f Boards that use a consultant to assist with implementation of the Policy Governance model will score higher on indicators of that model than boards that did not use a consultant.

Average annual revenue is hypothesized to be positively related to enhanced implementation of the Policy Governance model. In the literature, financial conditions are predominantly related to organizational effectiveness. For example, Smith and Shen (1996) found that the financial size of the organization was positively related to organizational effectiveness. Green and Griesinger (1996) found that resource development and financial planning and control were positively correlated with organizational effectiveness. Cook and Brown (1990) proposed that smaller agencies cannot afford managers, and in their study, smaller organizations where board members had to take on day-to-day organizational concerns were rated less effective by the parent organization. For the purposes of this dissertation, organizations with financial resources that can be allocated to a board development effort conceivably have enhanced possibility of implementation success, particularly since Policy Governance optimally requires a full year to implement (Oliver, 1999; Carver and Carver, 1997). Therefore, hypothesis 5g states:

H5g The greater the annual revenue of the organization, the greater the level of implementation of Policy Governance.

Finally, it is proposed that the longer the time a board claims to have been operating under Policy Governance the more the board will demonstrate Policy

Governance behavior. Boards that have spent more time operating with the model will have implemented more of the components of the model and to a greater extent. It is also proposed in the next section that the longer boards have operated under the model, the stronger the measure of board performance as perceived by board members, the chairperson and the CEO.

The final hypothesis to address board and organizational characteristics is:

H5h The longer a board has been operating under the Policy Governance model, the greater the degree of implementation of the model.

In summary, this dissertation explores several organization and board factors hypothesized to affect the level of implementation of the Policy Governance model in nonprofit boards of directors. Board size and age of organization are thought to be negatively related to implementation. By contrast, number of paid staff, number of volunteers, annual revenue, hours of training in the model, use of consultant and planning committee in the implementation process, and the amount of time operating under the Policy Governance model are all thought to positively impact implementation of the model. Previous to this study, these factors had not been tested in relation to the Policy Governance model. In addition, in prior studies, many of the variables described above have been tested in relation to either board performance or organizational effectiveness, rather than implementation. In light of the limited empirical work on the Policy Governance model in nonprofit boards of directors, this study examines the impact of these commonly cited variables on implementation of the model in a sample of nonprofit organizations whose boards of directors claim to have adopted the Policy Governance model.

Second Research Question: Change in Board Performance

The second research question addresses perceptions of change in the board's performance following implementation of the Policy Governance model.

The question states:

Is there a perceived change in the board's performance from before adoption of the model to after adoption of the Policy Governance model?

Three different sets of informed respondents were given the opportunity to indicate their perception of changes in board performance as a result of implementing the Policy Governance model. The advantages of seeking the views of several respondent groups is supported in the literature. Herman, Renz and Heimovics (1997) sought assessments of board practices and organizational effectiveness from Chief Executive Officers, staff members, two officers of the board and two funders of the 64 human services organizations in their sample. Green and Griesinger (1996) solicited views from board members and CEOs on board performance and organizational effectiveness of 16 nonprofit organizations serving developmentally delayed adults. The National Center for Nonprofit Boards had only collected data from CEOs in previous renditions of their national survey. However, in 1999, the Center added data received from board members in addition to that received from CEOs. In all three of these studies, soliciting multiple perspectives provided insights into differing perceptions of board performance and organizational effectiveness among the respondents. As the Policy Governance model would appear to alter the traditional patterns of authority and leadership compared to the traditional model of board governance, it was considered important to solicit the perspectives from three different groups-- Chairpersons, CEOs and board members-- in the Policy Governance organizations.

Several researchers support efforts by board members to evaluate the performance of the board and the organization (Carver, 1990; Zander, 1993; Jackson and Holland; 1998, NCNB, 1999). For this study, board members rated whether the performance of the board of directors had worsened, remained the same or improved since the board adopted the Policy Governance model. It is recognized that individual board members may have different perceptions regarding board performance, or about

Policy Governance. Once the board has committed to adopting the Policy Governance model “it is a board decision” (Carver and Carver, 1997, p. 12). Although unanimity is not necessary, Carver maintains that “if Policy Governance is to be successful, you [the board] must pursue it with the resolve of 9-0” (Carver and Carver, 1997, p. 12). Since all of the organizations in the sample had formally adopted the model, and are operating as Policy Governance boards, board members’ aggregate responses are used as a measure of change in the board’s performance as a whole.

Second, the assessment of changes in the board’s performance is solicited from each board’s chairperson. In 15 of 28 organizations in the sample that responded to a questionnaire item on leadership, the chairperson was identified as the individual who “took the most responsibility for making sure the organization maintains the Policy Governance model” (Chairperson’s Policy Governance Survey). In addition, chairpersons should be knowledgeable of the board’s self-assessment process. In light of their leadership role, chairpersons’ assessment of change in board performance following adoption of the model was considered pertinent.

Finally, the CEOs of the Policy Governance organizations also rated changes in their boards performance. Numerous studies of performance and effectiveness in nonprofit organizations utilize the CEO as informant (Brudney and Murray, 1998; Sheehan, 1996; Green and Griesinger, 1996; NCNB, 1999). Herman and Heimovics (1991) and Chait, Holland and Taylor (1996) state that CEOs are the source most knowledgeable about board matters, and hold a central role in the organization. Green and Griensinger’s research (1996) supported the view that CEOs are competent observers of board performance. They also determined that “CEOs were in a better position than individual board members to assess the diverse contributions of entire boards” (p. 399). Therefore, on the Policy Governance Chief Executive Officer survey, CEOs were given the opportunity as board members and chairpersons to respond to the identical item assessing changes in board performance. The sixth hypothesis states:

H6 Board members, CEOs and board chairpersons in boards that implemented the Policy Governance model will report significant improvements in board performance.

Correlation analysis of the relationship between the survey item soliciting perception of change in board performance by board members, chairpersons and CEOs and the mean board members responses to the Policy Governance behavior implementation scale will be employed to test this hypothesis. For chairperson and CEO, the comparison with board member implementation behavior will be analyzed at the organization level.

Third Research Question: Effectiveness of Policy Governance Organizations

The third goal of the study is to evaluate whether implementation of the Policy Governance Model leads to increased organizational effectiveness. The third research question asks:

Is there is a relationship between the degree of implementation of the Policy Governance Model and the perceived effectiveness of the organization, as judged by the Chief Executive Officer of the organization, the chairperson, and/or the board members?

Numerous problems exist with measuring and judging the effectiveness of organizations, and in particular, nonprofit organizations. As a result, the study engages five frameworks for examining effectiveness that separately, consider different criteria, and collectively, reflect multiple perspectives.

Early researchers adopted the goal attainment approach (Price, 1972) as one framework for determining effectiveness. Based on the assumption that an organization's goals were identifiable and specific, the goal approach sought to create objective measures corresponding to the goals and to use those measures as indicators to infer effectiveness. The seventh hypothesis states:

- H7 The greater board members' mean scores on Policy Governance behavior items on the implementation survey, the greater the scores of the Chief Executive Officers, chairpersons, and board members of the same organizations on items measuring goal achievement.

The items addressing goal achievement were designed on the basis of research by Georgopoulos and Mann's study of organizational effectiveness in community hospitals (1962). They state "organizational effectiveness says something about how well an organization is doing in achieving its objectives" (1962, p. 271). One of the two ways organizational effectiveness can be assessed is through examining intentions. Intentions describe what, in the participants' view, the organization is trying to achieve, what the aims are, or the direction in which the organization is trying to move. Intentions can be described through interviews and questionnaires (Gross, 1969). The first survey item used here is modeled after items on Georgopoulos and Mann's (1962) measures for assessing goal achievement in four different areas of patient care in community hospitals. The second survey item was taken from a previous study by Brudney and Murray (1997) in which they examine the effects of boards' intentional efforts to change. These items are described in more detail in Chapter 4.

Positive relationships between the means of board members' scores on the Policy Governance behaviors implementation scale and the means of the chairs, CEO, and board members ratings on the goal achievement items would indicate support for the hypothesis.

The second measure of organizational effectiveness used here taps financial viability of nonprofit organizations over five years in the form of a ratio of revenues to expenditures. There are varied opinions in the literature as to the usefulness of financial indicators as measures of effectiveness (see Herman, 1990), however, measures of productivity, profitability and resource acquisition are among the five most widely used

criteria in studies to assess organizational effectiveness (Steers, 1977)¹⁹. Other studies have used financial indicators to chart financial viability of nonprofit organizations over time (Jackson and Holland, 1997), and the relationship of financial strength to board performance and organizational effectiveness. A positive ratio of revenue to expenditures indicates financial stability, but does little to support goal achievement. However, it is objective, quantifiable data, which, according to Herman (1990), can be improved upon by combination with other nonfinancial measures.

Greenlee and Bukovinski (1998) contributed substantially to the use of financial ratios in conducting reviews of charitable organizations by developing twelve different types of ratios in two broad categories—adequacy of resources to support the mission of the charity, and use of resources to support the mission of the charity. They then constructed “benchmarks” from data compiled from the tax files of 20,000 501(c)3 charities provided by the Philanthropic Research Institute. These benchmark data enable an organization to compare its financial ratio against industry standards. Although Greenlee and Buchovinsky do not profile the revenue to expenditures ratio employed for the present research specifically, their study provides a foundation for the use of financial ratios to provide valuable, objective information on nonprofit organization performance. Further work with numerical ratios was conducted by Deniston, Rosenstock, and Getting (1968, a, b) who recommend their use to determine the effect of specific steps taken to achieve an objective.

Hypothesis 8 tests the relationship between the level of Policy Governance implementation and the financial trend of each organization over a five year period. The information is requested for FY 1995 through FY1999. Requesting five years of financial data will reveal changes that occurred after adoption of the Policy Governance

¹⁹Steers identified criteria cited or tested in 17 different studies of organizational effectiveness. Most of the organizations were categorized “ALL” [types]; 6 were business, 1 was religious, and 1 was research and development. See Steers, 1977, p. 44-45.

model for most of the organizations in the sample.

- H8 The greater board members' mean scores on the board behavior implementation scale, the more positive the trend of the revenue to expenditures ratio over a five year period.

Hypothesis 8 will be supported with evidence of an increase in the revenues to expenditures ratio over the five-year period.

To provide an additional measure of financial viability, the CEO rated the organization's ability to acquire the resources it needs. The managerial duties of CEOs require them to employ resources toward accomplishing the organization's objectives. This aspect of their responsibility places them in an informed position to report their assessment of the organization's ability to acquire needed resources. Hypothesis 9 represents a test of the relationship between level of implementation of the Policy Governance model and CEOs' assessment of the ability of the organization to acquire resources.

- H9 The greater board members' mean scores on the board behavior implementation scale, the greater the mean score of the Chief Executive Officers of the same organizations on an item assessing resource acquisition.

Hypothesis 9 will be supported by evidence of a positive relationship between the responses of the board members on the Policy Governance behavior implementation scale compared to the response of the CEO on the ability of the organization to acquire resources. This relationship will be tested at the organization level.

The third framework for evaluating organizational effectiveness, the internal process model, examines the relationships among board members. As explained in Chapter 2, this effectiveness framework looks at the presence or absence of internal strain, trust and benevolence toward individuals, and smooth information flow (Cameron, 1980), as well as systematic decision-making (Sheehan, 1996). In the Policy Governance

Model, internal processes are defined in the Means policies which determine the governance procedures; the executive limitations on how the CEO can accomplish the means, and the board-staff link, which describe how power is passed and how accountability is evaluated. Collectively, these means policies should ensure that the board has the information it needs when it needs it and in the right amount to establish accountability; that there is a shared understanding between the CEO and board on how power is allocated, and that the CEO can make programmatic decisions with a degree of freedom allowed by reasonable interpretation of the executive limitations; and that the board speaks with one voice to its “owners” and customers.

The CEO survey includes several items that assess these practices. The CEOs are asked to what extent the board of their organization operates according to specific internal processes. Questionnaire items address established working relationships between board and staff, feedback processes, continuity of governance, and information flow. The tenth hypothesis states:

H10 The greater board members’ mean scores on board behavior items on the Policy Governance implementation survey, the higher the mean responses of the CEO on items measuring internal process.

The hypothesis will be supported with evidence of a positive relationship between board members’ mean responses on the Policy Governance behavior implementation scale and the mean responses of the CEOs on the internal processes items from the effectiveness questionnaire. This relationship will be tested at the organization level.

Another widely used criterion in effectiveness studies is job satisfaction (Steers, 1977). Carver alludes to a greater clarity of organizational operation provided by adopting a coherent model for board governance and CEO-board relations, in contrast to the piecemeal prescriptions that have existed traditionally. In addition, the job design of the CEO in a Policy Governance-driven organization varies significantly from a CEO’s

job description under the traditional model. The “CEO limitations policies” constrain some activities of the chief executive, rather than assign a “comprehensive list” of what they are able to do, (a list Carver contends is never comprehensive enough, causing the CEO to continually approach the board for permission to act on what was not listed). The CEO constraints are designed to be broad, beginning with “Do not do anything which is illegal, immoral or unethical,” and constraints are expanded only to limit the CEO’s actions in precise areas of board control. Beyond those constraints, the CEO is free to pursue the ends of the organization (Carver, 1996, p. 15; 1990, p. 83-85).

The Policy Governance model thus provides the CEO with a great deal of discretion. Carver contends that the board limitations on the CEO are actually liberating, freeing the CEO to perform with greater creativity and initiative. Therefore, the expectation is that CEOs working under the Policy Governance model should indicate higher levels of job satisfaction corresponding to greater degrees of implementation of Policy Governance. Several questions on the CEO survey gauge the effect on their job satisfaction of leading an organization with clearly structured relationships between the board of directors, the chief executive and the staff. Carver has compared this structure to an hourglass—the board of directors guides from the top of the glass, funneling their policy and intent through the waist of the glass (the CEO’s position) to the staff, which the CEO oversees (Carver Training, July 1997). This structure clearly positions the CEO to receive direction from the board, and, in turn, to direct the staff.

The eleventh hypothesis states:

H11 The greater board members’ mean scores on board behavior items on the Policy Governance implementation survey, the greater the Chief Executive Officer’s mean responses to job satisfaction items.

This hypothesis will be supported with evidence of a positive relationship between the board members’ mean responses on the Policy Governance behavior items

on the implementation survey and mean satisfaction ratings of the CEOs. This hypothesis will also be tested at the organization level.

The fifth measure of organization effectiveness for the Policy Governance organizations is the chairperson's assessment of the CEO's performance. Carver's position on the relationship between the CEO's performance and the organization's performance is quite strong. "Organization performance and CEO performance are one and the same. Evaluation of one is evaluation of the other. Accountability is gravely damaged when the two are viewed differently" (Carver, 1990, p. 124). The performance of the CEO should only be judged against the executive limitations policies, and the stated ends of the organization, which the CEO is charged with attaining. The CEO should also be monitored regularly, but only against those written policies. Hypothesis 12 states:

H12 The greater board members' mean scores on the board behavior items on the Policy Governance implementation survey, the higher the rating of the performance of the CEO as indicated by the Chair of the board of the organization.

Hypothesis 12 will be supported with evidence of a positive relationship between the board members' mean responses on the Policy Governance board behavior items on the implementation survey and the Chair's evaluation of CEO performance. This hypothesis will be tested at the organizational level

Fourth Research Question: Comparative Organization Effectiveness

The fourth research question compares the study sample of organizations to two control groups of organizations. It asks:

Is there a difference between the effectiveness of nonprofit organizations whose boards have adopted the Policy Governance model compared to a random sample of nonprofit organizations whose boards are using other models of board practice, and

compared to a third sample of organizations that have received board development training from the National Center for Nonprofit Boards?

The first four effectiveness framework hypotheses will be tested using two comparative samples. The first comparative group is a stratified random sample drawn from the National Center on Charitable Statistics Database (1998). Fifteen hundred organizations were randomly selected in proportion to the number of Policy Governance organizations in seven categories of the National Taxonomy of Exempt Entities classification system. The second control group is composed of organizations that received board development training from the National Center for Nonprofit Boards. CEOs from both the random sample and the NCNB sample responded to a questionnaire on organizational performance assessed in four areas: goal achievement, resource acquisition, internal processes and job satisfaction. Because the CEO was the respondent for these organizations, CEO performance was not assessed for the control samples. The hypotheses are as follows:

- H13 Organizations that have adopted the Policy Governance board model will score higher on effectiveness as measured by goal achievement compared to a randomly selected sample of nonprofit organizations not using Policy Governance, and a sample of organizations that have received NCNB board development training.
- H14 There is a greater difference between the first year revenue to expenditures ratio (1995) and the last year revenue to expenditures ratio (1999) in organizations that have adopted the Policy Governance model than in either of the control groups, NCNB and the random sample of organizations.

- H15 Organizations that have adopted the Policy Governance board model will score higher on effectiveness as measured by resource acquisition compared to a randomly selected sample of nonprofit organizations not using Policy Governance, and a sample of organizations that have received NCNB board development training.
- H16 Organizations that have adopted the Policy Governance board model will score higher on items pertaining to internal processes compared to a randomly selected sample of nonprofit organizations not using Policy Governance and a sample of organizations that have received NCNB board development training.
- H17 Chief Executive Officers of organizations that have adopted the Policy Governance board model will score higher on job satisfaction items compared to Chief Executive Officers from a randomly selected sample of nonprofit organizations not using Policy Governance and Chief Executive Officers of organizations that have received NCNB board development training.

The CEO is the source of data to test hypotheses 13 through 17. Support for these hypotheses derives from evidence of statistically significant differences between 1) the mean responses of the CEOs of the Policy Governance organizations and the mean responses of the CEO's from the randomly selected nonprofit organizations on items pertaining to goal achievement, resource acquisition, internal processes, and job satisfaction; and 2) the mean responses of the CEOs of the Policy Governance organizations and the mean responses of the CEO's from the sample of organizations from the National Center for Nonprofit Boards.

Conclusion

This section has elaborated a framework developed to examine the implementation, board performance and organizational performance of nonprofit boards of directors that have adopted the Policy Governance model. The following chapter presents the methodology used for gathering the data and generating measures to test the hypotheses. In order to elicit various perspectives and perceptions regarding participation in organizations operating under the Policy Governance model, questionnaires were designed for board members, chairpersons and CEOs. A fourth questionnaire designed for the CEOs of the control samples did not contain references to Policy Governance specifically, but was otherwise identical to enable direct comparison of data on specific items.

Chapter 4 describes the quasi-experimental research design. The research was conducted expost-facto, after the organizations had already adopted the Policy Governance model. The design was strengthened by the addition of two control groups employed to compare Policy Governance CEO data to CEO data from randomly selected nonprofit organizations, and data from a sample in which organizations had experienced a different type of board development training. Chapter 4 describes the selection of the samples, the design and distribution of the questionnaires, and the response rates for each sample. The independent and dependent variables are described. Independent variables represent various board and organizational characteristics that have been thought to impact performance and effectiveness in nonprofit organizations. For this research, the impact of these independent variables on implementation of the Policy Governance model is also explored. The dependent variables represent implementation of Policy Governance behaviors, changes in board performance, and aspects of organizational effectiveness.

CHAPTER 4

METHODOLOGY

Assessing the implementation of a board governance model, the performance of the board of directors of a nonprofit organization and the effect of model implementation and board performance on organizational effectiveness requires multi-faceted methods. Several perspectives are represented in a nonprofit organization - those of the board members, the chairperson, the executive director, the staff, and the constituents served by the organization. Many studies draw on one perspective alone to inform the researcher on the phenomenon measured. In several instances, this perspective has been that of the CEO (Brudney and Murray, 1998; Herman, Renz and Heimovics, 1997; Bradshaw, Murray and Wolpin, 1992).

While the use of the perspective of the chief executive is well-supported in the literature (Pfeffer, 1981; Yuchtman and Seashore, 1967; Etzioni, 1964) the Policy Governance model holds the board central to its implementation. This emphasis on the board combined with the lack of studies on the Policy Governance Model determined that several perspectives of the model in use should be obtained. Therefore, in the sample consisting of Policy Governance organizations, the views of the board members, chairpersons and CEOs were solicited. The practical considerations of cost and feasibility, particularly since many of the organizations that have adopted the Policy Governance model are in Canada, argued for survey research.

This chapter elaborates the design and procedures for gathering data from three samples: nonprofit boards of directors and CEOs of organizations that have adopted the Policy Governance model; CEOs of randomly selected nonprofit organizations, and the CEOs of nonprofit organizations that have participated in board development training

(not Policy Governance) with the National Center for Nonprofit Boards. The chapter describes the construction of surveys, sampling procedures and variables used for the analysis.

Samples

Three samples were constructed to obtain the data used for this study. The experimental or “test” sample, constructed to assess Policy Governance implementation, board performance and organizational effectiveness was composed of 32 nonprofit organizations in the United States and Canada that had adopted the Policy Governance model²⁰. Second, a control sample was composed of 309 randomly selected nonprofit organizations in the United States with annual revenues exceeding \$25,000 per year. A third sample, also functioning as a control, was derived from a list of organizations that had received board development training from the National Center for Nonprofit Boards (N=26).

Sample 1

The first sample consisted of the board members, chairpersons and Chief Executive Officers of nonprofit organizations in the United States and Canada that had indicated use of the Policy Governance Model. Participation was solicited through several venues. Some organizations responded to a request for participation in the research posted in John Carver’s bimonthly newsletter, “Board Membership,” published by Jossey Bass, Inc. Some organizations expressed interest in the research following presentations at a two-day “Carver Institute” for board members held in Atlanta in June, 1998, and at a CEO training session on Policy Governance in September, 1999. Queries sent over the ARNOVA list-serve (ARNOVA-L@WVNVM.WVNET.EDU) netted the participation of a few organizations. A few participants referred other organizations either in their geographic or professional area. Caroline Oliver (1999), author of The Policy Governance Fieldbook, a case-style, practical study of the problems and successes

²⁰For some analyses, the [N] was reduced.

of eleven organizations as they implemented the Policy Governance Model, referred some organizations with which she had worked.

Between spring, 1998 and summer, 2000, 37 boards interested in participating in the research received communication by telephone, e-mail, or letter describing the goals and procedures for the research project. The chairperson, the CEO, or administrative liaison, in turn, confirmed in writing the board's intent to participate in the study.

Between the time of initial contact and the mailing of the surveys, five organizations withdrew from the research. Two contacts expressed that their organizations were experiencing change in leadership and were reassessing their governance structure. One organization's CEO could not be reached to confirm the initial intent to participate. Two other contacts stated that the organizations were too early in the process of adopting the Policy Governance model to provide useful assessment of implementation.

The purpose of this "test" or "experimental" sample was to determine:

- to what extent the components of the Policy Governance model had been implemented in organizations whose boards of directors stated they operate under the model;
- the extent to which the board was following the model;
- if board members, chairpersons' and CEOs' perceptions of their board's performance had changed following implementation of the model, and;
- if there was a relationship between board implementation behaviors and the performance of the organization.

Sample 2

The control samples consist of the CEOs of a random sample of nonprofit organizations in the United States, and the CEOs of a sample of nonprofit organizations whose boards had received some form of governance intervention other than the Policy Governance model from the National Center for Nonprofit Boards. These organizations

serve as control groups for the research to assess the effects of the Policy Governance model in the test sample.

CEOs are suitable informants for several aspects of an organization's performance. Zald (1963), Etzioni (1964), and Yuchtman and Seashore (1967) consider the CEO to be the major decision-maker in the organization, and worthy of the focus of research pertaining to goal achievement. Yuchtman and Seashore (1967) state that CEOs allocate the resources of the organization. Young (1987) and Smith (1989) view the executive as the organization's entrepreneur, and Gronbjerg (1991) found that assessing volatility in nonprofit financing patterns was a responsibility that rested more appropriately with the CEO. Herman and Heimovics (1990) consider the CEO more responsible than the board for the outcome of critical events experienced by the organization. Thus, CEOs appear to be central figures for directing and interpreting many facets of the nonprofit organization's functions, and could therefore serve as appropriate respondents for information on these functions.

Eliciting an adequate number of responses from CEO respondents for the research required drawing a stratified random sample of 1500 nonprofit organizations. The sample was generated from the IRS Business Master File, May 2000, a database distributed by the National Center for Charitable Statistics. The universe of the database is all active tax-exempt organizations with annual revenues over \$25,000. Data in the Business Master file are mostly derived from IRS forms 1023 and 1024, and are updated each month. The organizations are classified according to the National Taxonomy of Exempt Entities, a classification system of 645 codes, collapsible into 26 major groups, then collapsed into 10 major categories.

Because the sample of Policy Governance organizations (sample 1) consisted of several, but not all types within the NTEE classification system, a stratified random sample was drawn to establish control organizations with which to compare effectiveness with Policy Governance organizations. The sampling procedure resulted in the deletion

of all the unclassified organizations from the Business Master File. NTEE major group codes (A, B, C, etc.) were used to sort the remaining organizations. The procedure next deleted all the organizations in major groups for which no corresponding organizations in the Policy Governance Sample existed. The next calculation determined what percentage of the entire Policy Governance sample each category of organization represented. For example, 2 health advocacy organizations represented 5.71% of the total number of Policy Governance organizations²¹. Calculating that percentage of 1500 resulted in a fixed number of organizations needed from the corresponding category of the sorted NTEE database. A random number generator procedure in SPSS selected a fixed number of organizations from that category. In this way, the stratified sampling procedure resulted in a random group of organizations that proportionately matched the numbers and types of organizations in the Policy Governance sample. Table 4 displays the NTEE type, percentage and number of corresponding organizations selected in the sampling procedure.

Sample 3

In order to evaluate whether the Policy Governance model—as opposed to board training in general—is responsible for greater organization effectiveness, a smaller sample of nonprofit organizations was solicited from the National Center for Nonprofit Boards (NCNB). The list of boards provided had participated in board development and training sponsored by the NCNB, activities designed around traditional guidelines based on statutory responsibilities of board members. The CEO's of these boards received the same questionnaire designated for the CEOs of the randomly selected national sample. A total of 55 questionnaires were sent to the CEOs from the NCNB sample.

²¹At the time the stratified sample was designed and drawn, 35 Policy Governance organizations had agreed to participate.

Table 4

Type and Number of Organizations in Stratified Random Sample

NTEE Code	Pol Gov Orgs.	% of Total	Surveys sent	Surveys returned	% of Total
IA: Arts	2	5.71	86	15	4.9
IIB: Education	10	28.8	429	93	30.1
IIIC: Environment	1	2.9	43	10	3.2
IVE: Health	8	22.9	343	70	22.7
IVF: Health	1	2.9	43	12	3.9
IVG: Health	2	5.7	86	14	4.5
VJ: Human Serv.	1	2.9	43	11	3.5
VN: Human Serv.	1	2.9	43	5	1.6
VP: Human Serv.	4	11.4	171	38	12.3
VIIW: Public/Soc.	2	5.7	86	19	6.2
VIIIX: Religious	2	5.7	86	16	5.2
X: Unknown	1	2.9	43	6	1.9
Totals	35	100.4%	1502	309	100%

Notes: IVE Health: General and Rehabilitative Health; IVF Health: Mental Health, Crisis Intervention; IVG Health: Disease, Disorders, Medical Disciplines. VJ Human Services: Employment, Job-related; VN Human Services: Recreation, Sports, Leisure, Athletics; VP Human Services: Multi-purpose and other. Source: National Center on Charitable Statistics, <http://nccs.urban.org>.

Research Design

The design of this study emanates from the theory of impact analysis. According to Mohr (1995, p. 1), impact analysis is “determining the extent to which one set of directed human activities (X) affected the state of some objects or phenomenon (Y),” and possibly, determining why the effects were as small or large as they turned out to be. In this study, the board of directors embodies the set of human activities that have the potential to affect the state of a phenomenon--the board performance and organizational performance of the entity--to a greater or lesser degree. Impact analysis assumes a

“program” is guided by a theory that states the program’s activities will have some specified results in terms of (*Y*), perhaps through some intermediary activities which are also specified. The Policy Governance model provides the theory undergirding the activities of the board of directors. Impact analysis concerns testing the theory and explaining empirically the outcome of the test.

Mohr’s evaluation framework has three major components. First, the theory has several elements, and conducting an impact analysis means making observations about these elements and relating them to one another (1995, p. 3). The elements are the problem, the activities, the outcome of interest (program objective) and the subobjectives. In this study, the problem is determining whether the adoption of the Policy Governance model by a board of directors in a nonprofit organization has any impact on the performance of the board and the effectiveness of the organization. The activities represent the steps taken by the board to implement the model, including aspects of training, planning and decision-making. Complete adoption of the model, enhanced board performance, and fulfillment of each distinct type of organizational effectiveness comprise the subobjectives. The final objective (or outcome of interest) is enhanced overall effectiveness of the organization as perceived by the chief executive officer.

The second part of the evaluation framework requires a design for determining the validity of the theory. This study employs a quasi-experimental design, the criterion population design. This design allows partial correction of the self-selection bias that exists in this first sample of participants. Measures from the treatment group--boards of directors that have declared they have adopted the Policy Governance model--are compared to measures of a “criterion population.” Selection of the criterion population must meet three requirements to retain the strength of the design. First, the criterion population must be a population to which the treatment group belongs. In this case, the Policy Governance organizations are a subset of nonprofit organizations in the United

States and Canada that have annual revenues over \$25,000. Except for one Policy Governance organization, all of the participant organizations have 501(c)(3) status.

The second requirement is that the criterion population be sufficiently large relative to the size of the treatment group (Mohr, 1995). In this case, the criterion sample was drawn from a total of 179,866 nonprofit organizations that met the minimum annual revenue requirement, and were classified into one of the categories of the National Taxonomy of Exempt Entities. Mohr (1995) recommends that the criterion population be one hundred times the size of the experimental sample. For this study, Mohr's recommendation would have required a criterion sample totaling 2700 individual CEO respondents. A sample this size was beyond the resources of this project. However, the stratified sample that was drawn to match the types of organizations in the experimental sample with organizations from the same mission categories in the National Taxonomy of Exempt Organizations does attempt to satisfy the conditions required for strengthening a quasi-experimental design by "approximat[ing] the controls that experiments achieve through randomization" (Thomas, 1994, p. 359). The stratified random selection design creates a comparison group that is as similar as possible to the experimental group except that it does not participate in the intervention, in this case, implementation of the Policy Governance model.

The third requirement is that procedures of autonomous / controlled selection must be used. The population used as the criterion can in no way be assumed to be "special." Autonomous selection is interpreted to mean that the selection of subjects is bias free—that is, there are "no reasonable grounds for suspecting that any two groups in the sample are different on the outcome of interest" (meaning organizational performance) "even without the intervention" (Mohr, 1995, p. 75). Controlled selection accounts for any differences between organizations by acknowledging them and controlling them in the analysis. Selecting a random sample of organizations from the total population of nonprofit organizations in the United States, and stratifying the

sample to match the NTEE mission category of the organizations in the treatment sample fulfills the “autonomous” and “controlled” requirements for the criterion population design and assures that the control group is representative of the treatment organizations.

Description of the Implementation and Board Chair Questionnaires

The data for this study emanate from responses to questionnaires concerning implementation and possible results of the Policy Governance model. Items to measure the construct were developed from Dr. Carver’s writings on the model and the principles undergirding it. The Carver Guide²² entitled The Principles of Policy Governance (1996) is the most succinct source for this purpose. From this publication, the ten basic principles of Policy Governance were extracted. Other literature that examines the Policy Governance Model was also reviewed (for example, Oliver, 1999). The four philosophical foundations of Policy Governance—accountability, servant-leadership, clarity of group values, and empowerment-- were drawn from these sources. For consistency, the excerpts of these sources were compared to Carver’s lengthier writings, Boards that Make a Difference (1990) and Reinventing Your Board (1997), and judged against the ten Principles of Policy Governance. Based on a review of Carver’s first book, Boards that Make a Difference, especially the opening sections on “The Flaws of Governance” and “Toward a New Governance” (pages 8-21), several survey items were developed that established a dichotomy between what Carver sees as the problems with “traditional” governance and what his model promises. These items embody the ten principles described above.

On the basis of these concepts an implementation questionnaire was designed to elicit views and perceptions of board members on the adoption and use of the Policy Governance model in their boards. Section I of the questionnaire solicited demographic information such as level of education, length of time on the board, and experience as a

²²One of a series of twelve brief booklets, published by Jossey-Bass, that each cover a range of topics pertinent to Policy Governance.

board member. Section II elicited information on training, conditions on the board that prompted a switch to Policy Governance, activities that have been accomplished toward implementation of the model, and to what extent the model fulfills board members' expectations for board performance. Section III contained items that described actual board practices or behaviors that would be exhibited if a board were practicing Policy Governance. This section also contained items that described board practices and behaviors from a traditional standpoint. For this set of items, board members were asked to indicate in percentage terms to what extent their board practices the behavior presented, from 0% to 100% of the time. In a separate response box, members were asked to indicate if the behavior presented was practiced more than 75% of the time before Policy Governance was implemented. There were 20 items of this type.

The fourth section of the survey presented Policy Governance principles and practices and asked respondents to rate each one on a five point scale in terms of the difficulty of implementation in their board of directors. Sixteen items in this section elicited perceptions on the performance of the board in several areas, including achievement of mission, connecting to stakeholders, and maintaining board-management relationships. Board members also responded to items asking them to rate on a nine point scale from "worsened greatly" to "improved greatly" how the performance of their board, and the performance of the organization had changed since adopting the Policy Governance model (adapted from Brudney and Murray, 1998).

In addition to the board member implementation survey, the chairperson of the board of directors was asked to complete an additional questionnaire that solicited information regarding the organization. It asked for information such as the age of the organization, average annual revenue, the primary mission/program area of the organization, and identification of "owners." The board chairs also rated the performance of the organization, the performance of the chief executive officer and the success of the organization in achieving its goals.

Description of the Organizational Performance Questionnaires

The second type of questionnaire elicited information on organizational effectiveness from the CEO's perspective. There were two slightly different versions of this survey: the first one intended for the CEOs of the Policy Governance organizations, and the second one directed to the CEOs of the organizations in the random sample. The Policy Governance-oriented version contained items that referred specifically to the board -management relationship and CEO behaviors that Dr. Carver recommends, and asked for the CEO's opinion regarding how the Policy Governance model meets the expectations for board performance. The second version of the survey (for the control sample) did not contain these items specifically related to Policy Governance, but was otherwise identical to the first survey so that a comparison could be drawn between the effectiveness of Policy Governance organizations and organizations that operate by other governance practices.

An important focus of this research is on the degree to which implementation of the Policy Governance Model impacts measures of organizational effectiveness. The surveys collected information on several different aspects of organizational effectiveness. Organizational effectiveness was specified in five ways, as presented in Chapter 3, and reviewed below.

Goal Achievement Indicators

The first measure of organizational effectiveness utilized is goal achievement. Goals can be characterized as intentions - what the organization has established as its aim. In the Policy Governance model, the "aim" is clearly defined in the "ends" policy established by the board—what will be accomplished for which group of people for what cost. However, this manner of expression is not widely used outside the sphere of Policy Governance. Therefore, an effort was made to design items that tap the same "aim" or "ends" concept, but are based in the literature, and elicit recognition from CEOs of all types of organizations, whether governed by Policy Governance or not. The survey

questions that address goal achievement are designed on the basis of research by Georgopoulos and Mann (1962) and a study by Brudney and Murray (1998).

The first survey item is modeled after items on Georgopoulos and Mann's measures for assessing goal achievement in four different areas of patient care in community hospitals. The item reads:

“To what extent do you feel the organization is achieving the goals the board has established?”
(5 point scale from “No extent” to “Very great extent”)

The second survey item was taken from a study by Brudney and Murray (1998) in which they examine the effects of boards' intentional efforts to change.

“On a scale of 1 to 9, where [1] means “Worsened Greatly,” [5] means “Remained the Same,” and [9] means “Improved Greatly,” would you say that over the past five years, *the performance of this organization* in attempting to meet its goals has worsened, remained the same, or improved?”

According to Etzioni (1964, p. 6), board members and chairpersons are able to assess organizational goal achievement because they primarily determine “the desired state of affairs which the organization attempts to realize.” Therefore, the questionnaire presented this item to board members and chairpersons in the Policy Governance organizations.

Financial Ratio Indicators

The second measure of effectiveness considered are financial ratios that tap financial viability over five years in the form of a ratio of revenues to expenditures. Opinions as to the usefulness of financial indicators as measures of effectiveness vary in the literature (see Herman, 1990). However, as reported in Chapter 3, measures of productivity, profitability and resource acquisition are among the five most widely used criteria in studies to assess organizational effectiveness (see Steers, 1977) Although the financial indicators have limitations, these data are objective and quantifiable according to Herman (1990), and they are justified and enhanced here by their use with four other measures of organizational performance.

The revenue to expenditures ratio employed for the present study models Greenlee and Bukovinski's (1998) measures for assessing the adequacy of resources to support the mission of the organization. Their work in this area, which included benchmarking their ratios against tax files of 20,000 501(c)3 organizations to provide comparative industry standards, contributed to the development and use of financial indicators to assess organizational effectiveness.

Financial ratio data for the years 1995 to 1999 were solicited with the following survey item:

“For the past five years, please provide in the spaces below:

(A) The total revenue for the organization, including grants, donations and all income.

(B) The total organization expenditures for the same year.

Internal Process Indicators

The third framework for evaluating organizational effectiveness is the internal process model. Cameron (1980) proposes that relationships among board members, staff and executive, the presence or absence of internal strain, and information flow impact organizational effectiveness. The internal process approach focuses on the manner in which decisions are made, and how information is managed, transferred and controlled within organizations (Sheehan, 1996). In the Policy Governance Model, internal processes are defined in the governance process and board-staff linkage policies. The means policies determine the governance procedures, the executive limitations on the CEO, and the board-staff linkages. The linkage policies describe how power is passed from the board of directors to the CEO and how accountability is evaluated by the board against its monitoring policies.

Collectively, the means policies should ensure that the board has the information it needs when it is needed and in the right amount to establish accountability; that there is a shared understanding between the CEO and the board on how power is allocated, leaving the CEO to make programmatic decisions with a degree of freedom allowed by

reasonable interpretation of the executive limitations; and that the board speaks with one voice to its “owners” and customers. The questionnaire offered nine items pertaining to various aspects of internal functioning, and asked CEOs to rate to what extent they perceived the board or organization performs in these areas. Table 5 presents the nine questionnaire items representing the internal process model.

CEO Job Satisfaction Indicators

The fourth measure proposed to test organizational effectiveness was job satisfaction, another widely used criteria in effectiveness studies (Steers, 1977). The Policy Governance model establishes clear relationships between board, CEO and staff, and provides the CEO with a great deal of discretion. In the Policy Governance model, the board establishes limitations on the CEO’s actions and behaviors rather than assigning an exhaustive list of responsibilities. Aside from that which is limited, the CEO has a great deal of discretion in how to work toward the established “end” (loosely defined as mission—see Chapter 2) of the organization. Due to the enhanced discretion exercised by CEOs employed under the Policy Governance model, the expectation is that chief executives should indicate higher levels of job satisfaction corresponding to greater degrees of implementation of Policy Governance.

Ten items on the CEO survey gauge the satisfaction of the CEO in leading a Policy Governance organization, which presumably has clear policy lines between executive, staff and board functions (Carver and Carver, 1997). The satisfaction measures were structured in a manner similar to individual items on numerous job satisfaction inventories and indices (Robinson, Athanasiou and Head, 1969; Quinn and Staines, 1977).

Table 5

Internal Process Model Questionnaire Items

		Scale				
		1	2	3	4	5
		Not to any extent	Some extent	Moderate extent	Great extent	Very great Extent
Item #	Item					
24	To what extent does your board speak with one voice to the outside world despite internal disagreements?					
25	To what extent does the board give instructions only to the CEO and not to other staff or volunteers?					
26	To what extent are you allowed to make reasonable interpretations of the board's policies?					
27	To what extent do board members keep out of day to day management concerns?					
28	To what extent does the board assess its own performance?					
29	To what extent does the board assess the performance of the organization toward accomplishing its ends?					
30	To what extent is the organization able to maintain its performance level during changes in board membership, chairpersons, and/or executive directors?					
31	To what extent do you have the information you need to effectively manage the organization?					
32	To what extent is your board satisfied with the reports you provide to the board in line with their requests?					

Source: Organizational Performance Survey, Chief Executive Officer, Policy Governance Organizations.

The response choices ranged on a five point scale from [1] "Very dissatisfied" to [5] "Extremely Satisfied." Table 6 presents the items used to assess CEO job satisfaction.

Table 6

Job Satisfaction Model Questionnaire Items

		Scale				
		1	2	3	4	5
		Very dissatisfied	Moderately dissatisfied	Neither satisfied nor dissatisfied	Very satisfied	Extremely satisfied
Item #	Item					
14	How satisfied are you with the way your board operates?					
15	How satisfied are you with the organization's ends policies?					
16	How satisfied are you with the delegation of responsibility between you and the chairperson of the board?					
17	How satisfied are you with the amount of authority and responsibility outlined for you by the board?					
18	How satisfied are you with the procedures the board uses to monitor your performance?					
19	How satisfied are you that the board is knowledgeable about the performance of the organization?					
20	Overall, how satisfied are you with the work you are doing for this organization?					
21	How satisfied are you with the discretion you have to deal with problems in your own way?					
22	How satisfied are you with the opportunities you have to do creative work in terms of programs and services?					
23	How satisfied are you with the opportunities you have to do creative work in terms of management and structure?					

Source: Organizational Performance Survey, Chief Executive Officer, Policy Governance Organizations.

Chief Executive Performance Indicators

Measures of the fifth dimension of organizational effectiveness were obtained from the chairpersons of the Policy Governance organizations only. Carver's position on the relationship between the CEO's performance and the organization's performance is quite strong. "Organization performance and CEO performance are one and the same.

Evaluation of one is evaluation of the other. Accountability is gravely damaged when the two are viewed differently” (Carver, 1990:124). The performance of the CEO should only be judged against the executive limitations policies, and the stated ends of the organization, which the CEO is charged with attaining. The CEO should also be monitored regularly but only against those written policies. The chairperson of the board of each Policy Governance organization responded to a questionnaire item that read:

“As the chairperson of the board, how would you rate the performance of your CEO in terms of his/her ability to work toward the goals of the organization without violating the organization’s policies?” (5 point scale from “Not at all Effective” to “Extremely effective”).

Because the study solicited only the CEOs perspective on organizational performance from the organizations in the comparison samples, this item was not included on the surveys that were sent to the randomly selected nonprofit organizations, or the organizations solicited from the NCNB.

The Organizational Performance Surveys included several other items pertinent to the study. Both organizational performance surveys solicited demographic information such as sex, race, and length of tenure as CEO. The questionnaires asked for the total number of CEOs employed in the past five years, the number of paid full-time and part-time staff, the number of volunteers, and requested information on the primary mission area of the organization. Items soliciting information on the type, amount and usefulness of training in Policy Governance were included on the questionnaires directed at the CEOs of the Policy Governance organization sample.

CEOs were also asked to rate their board’s performance in two different items. First, CEOs of the Policy Governance organizations were asked to rate the extent to which the Policy Governance model met their expectations for board performance on a five-point scale from “no extent” to “very great extent.” Second, for comparison, all CEOs-- those from the Policy Governance organizations, from the randomly selected

nonprofit organizations, and from the organizations solicited from the National Center for Nonprofit Boards-- responded to the following question:

“On a scale of 1 to 9, where [1] means “Worsened Greatly,” [5] means “Remained the Same,” and [9] means “Improved Greatly,” would you say that over the past five years, the way *the board of directors in this organization* performs its duties has worsened, remained the same, or improved?”

Table 7 provides a summary of the different surveys used in this study. The use of different instruments to elicit multiple perspectives on the Policy Governance model, including information from comparison samples is a strength of the design of this research.

Pilot Study

The researcher conducted a pilot study to evaluate the items, completion rates, and response rates to the questionnaires. Two organizations known to be using the Policy Governance model were contacted to solicit their willingness to field-test the surveys. A former member of the board referred the first organization, an entity providing services to people with developmental disabilities in upstate New York; this board had 10 members. The second organization was a land trust²³ that had been featured in the New England Nonprofit Quarterly; this board had 14 members. Packages of questionnaires for the chairperson, CEOs and board members of each organization were mailed to the board offices in early July, 1999. Each envelope in the board package contained a cover letter, questionnaire, and a stamped return envelope. A contact person in each board office attached mailing labels with individual names and addresses.

In all, twenty-eight questionnaires were sent to the two organizations: 24 implementation surveys intended for board members, and a chairperson and CEO questionnaire for each organization. Seventeen responses were received, including chair and CEO questionnaires from each organization, for an overall response rate of 71%.

²³A Land Trust is an organization dedicated to preserving lands with cultural or historic value. This particular trust is acquiring and preserving dairy farms in Vermont.

Table 7

Description of Survey Instruments, Samples and Information Sought

Survey Instrument	Respondents	Information Sought
Policy Governance Implementation Survey	Board members from 32 Policy Governance Organizations in US and Canada ^a	Part I: Individual demographic information Part II: Exposure to model; organizational conditions leading to adoption, training issues Part III: Implementation assessment on a continuum from 1 (0% implementation) to 5 (100% implementation) Part IV: Assessment of operating under Policy Governance, scale from 1 (very difficult) to 5 (Not at all difficult) Part V: Board and organization performance indicators
Policy Governance Implementation Chairperson Survey	Chairpersons of 32 Policy Governance Organizations in US and Canada	Demographic Information on the organization: primary mission/program area; annual revenue; number of staff, volunteers; use of consultant; identification of stakeholders, information used for assessment of org. and board performance
Organizational Performance Survey	CEOs from 32 Policy Governance Organizations, 1502 randomly selected nonprofit organizations ^b and 55 organizations with NCNB board development training ^c	5 years Revenues/Expenditures data; assessment of goal achievement; job satisfaction rating scales; internal process rating scales; CEO judgements on board performance

Notes: ^aBoard members from 32 organizations responded. The [N] for chairpersons and CEOs varied. ^bFor this sample, respondents numbered 308. ^cFor this sample, respondents numbered 26. The questionnaires are available from the author upon request.

Examination of the completed surveys indicated full cooperation. Several respondents commented extensively on the use of the Policy Governance model in their

boards. No respondents indicated having difficulty understanding the format or content of the items. One item was slightly modified to solicit a response more specifically related to success of the organization in achieving its goals. No other changes were made to the questionnaires.

Survey Distribution for Sample 1

Sample 1 consisted of 32 organizations in the United States and Canada operating under the Policy Governance model. Board member (implementation), Chair and CEO questionnaires for each board contained an identifying organizational code so that responses to questionnaire items could be grouped by board. In mid-July, 2000, the contact person at each Policy Governance board received a package containing the questionnaires for the organization in individual response envelopes with postage affixed.

Each envelope also contained a cover letter that described the research and provided instructions for completing and returning the questionnaire, and a postage paid return envelope. The outer envelopes containing the Chair and CEO questionnaires were marked accordingly. Upon receipt of the questionnaire packages, the administrative contact at each board affixed the mailing address of each board member, the Chair and the CEO and mailed them. In this manner, the identities of the board members, Chairpersons and CEOs remained anonymous. Respondents returned completed questionnaires directly to the researcher in the postage-paid return envelopes²⁴. In all, 32 chairperson, 32 CEO, and a total of 382 board member questionnaires were mailed.

In addition, four more surveys were sent to each board with the instruction for the administrative contact to mail them to former board members. Board members who had served before implementation of Policy Governance or during implementation may have a different perspective than current board members on the performance of the board and

²⁴The week of August 5th, a packet of reminder postcards was sent to the administrative contact at each board to send out to the board members and CEO. Following the receipt of this postcard, the researcher received requests for additional questionnaires from several boards, which were mailed to the boards' offices.

the organization. This perspective was solicited on the board members' implementation questionnaire, and allowed the researchers to contrast board members behaviors under Policy Governance in comparison to more traditional behaviors. Questionnaires mailed to former board members totaled 128. Thus, a total of 510 questionnaires for current and former board members were sent to the participating organizations. This sample size is quite large for research on nonprofit organization boards, in which a typical study might include just a handful of boards.

A total of 230 surveys were returned by board member respondents in 30 organizations. Of the 32 packets sent out, one organization did not respond to any follow-up phone calls, e-mails or letters and so had to be dropped from the study. The chairperson of the second organization telephoned to say that after board members had read the questionnaire, they felt they would not be able to respond to the questionnaire items sufficiently, having just begun the Policy Governance implementation process. From the remaining 30 organizations, 189 current board members and 39 former board members returned completed questionnaires (2 respondents did not indicate their status). The overall response rate for board members in this "Policy Governance implementation sample" was 45% (228/510).

Since responses were received from the chairpersons and CEOs of the organizations in the pilot study, and the questionnaires used were identical to the full sample, the responses from the pilot organizations were pooled with the full sample. Therefore, across 32 organizations, 243 board members, 28 chairpersons and 29 CEOs comprise the test or experimental sample of Policy Governance organizations. The final response rate for board members remained at 45% (243/534).

Survey Distribution Sample 2

The second sample consisted of randomly selected nonprofit organizations in the United States, drawn from the National Center on Charitable Statistics database. Questionnaires for the stratified random sample were prepared in accordance with

procedures recommended in Dillman (1978). The survey instrument itself was coded to indicate the mission area category from the NTEE classification scheme, and contained no code to identify the individual respondent. Cover letters accompanied the questionnaires, explaining the study and providing instructions for completing the survey. Respondents were promised anonymity in their responses. Business reply postage-paid envelopes were included in the packet. Postcards were included in the packet for respondents to return to confirm their participation.

A total of 1502 questionnaire packages were mailed on August 14, 2000, to the selected nonprofit organizations. Reminder postcards were sent two weeks later to all organizations that had not responded. Following the postcard mailing, several organizations telephoned or e-mailed requesting new copies of the questionnaire, which were mailed to them immediately. At the end of this first round of mailing, the researcher had received 219 responses, a return rate of 15%. Analysis of the responses by the ten mission categories was conducted, and a second mailing was sent October 17, 2000, which targeted the strata that were deficient in responses. The total number for this second mailing was 619 parcels. Ninety responses were received after this second mailing. The total number of responses received from both mailings was 309, for an overall response rate of 21% ($309/1502$).

Additionally, Organizational Performance surveys were sent to 55 organizations that had participated in some form of board development training—other than Policy Governance—with the National Center for Nonprofit Boards. The NCNB constructed a list of organizations that had participated in an NCNB board development activity between 1997 and 1999. The researcher sent the surveys and business reply envelopes to Marla Bobowick, Governance Consultant, at the NCNB, who mailed the surveys under the organization's cover letter, offering a discount on future purchases of NCNB training aids as an incentive for returning the surveys. The cover letter promised anonymity to the CEOs, and indicated to participants that the NCNB was interested in and supported

the research. Responses were mailed directly back to the researcher in the business reply envelopes. Twenty-six CEOs returned completed surveys, a response rate of 49%.

Description of Dependent and Independent Variables

Table 8 displays the dependent and independent variables used in the analysis. The dependent variables are the extent of implementation of the policy governance model; the level of board performance; and the extent of organizational effectiveness in five areas: goal achievement, financial viability, internal processes, job satisfaction, and CEO job performance.

Three categories of dependent variables were employed to test the hypotheses. In the first category, dependent variables were used to assess the extent to which the Policy Governance model was implemented in the sample of nonprofit boards that claimed to have adopted the model. Two indexes were constructed to measure the extent to which boards practiced Policy Governance-related behaviors. The first index, PGMEAN, is the mean of individual board members' mean scores for 12 variables measuring Policy Governance board behavior. An organizational-level variable of this same measure was constructed by determining the organizational mean of individual board members' mean scores on the 12 variables (PGORGMN). The second index, TRADMEAN, is board members' mean scores across 8 items denoting traditional board behavior. These two indexes were used to assess the level of implementation of the Policy Governance model, the difference between traditional board behavior and Policy Governance-related behavior, and the extent to which a board had implemented Policy Governance as a coherent model. Tables 8 and 9 show items comprising each of these indexes.

Table 8
Items Composing Traditional Board Behaviors Scale
(Dependent Variable TRADMEAN)

Item #	Item
Q10A	The board recognizes in a general way that it represents some constituency.
Q11A	The board prescribes in its bylaws or personnel policies what the CEO and staff shall do.
Q15A	The board makes managerial or operational decisions.
Q17A	The delegation of duties between the board and CEO is inconsistent, unclear and unproductive.
Q21A	The staff makes most decisions with approval or permission from the board.
Q22A	The board rarely has the right amount or type of information it needs to make decisions.
Q23A	The board is preoccupied with day-to-day concerns.
Q25A	The board continually monitors staff work, and is inconsistent between tight and loose control.

Source: Policy Governance Implementation Survey

In the second category, dependent variables gauge the extent to which chairpersons, CEOs and board members perceive changes in the performance of their board since adopting Policy Governance. The survey asks, “On a scale of 1 to 9, where [1] means ‘Worsened Greatly,’ [5] means ‘Remained the Same,’ and [9] means ‘Improved Greatly,’ would you say that since adopting the Policy Governance model, the way the board of directors of this organization performs its duties has worsened, remained the same, or improved?” The dependent variables represent the mean scores of each group of respondents for the questionnaire item; Q52 for board members, CHAIRQ52 for the chairpersons, and CEOQ52 for the chief executive officers.

Table 9
Items Composing Policy Governance Implementation Scale
(Dependent Variable PGMEAN)

Item #	Item
Q8A	The board speaks with one voice.
Q9A	The board focuses on comprehensive policy development.
Q12A	The board monitors staff or budget plans against board criteria.
Q13A	The board has a policy that specifically addresses what benefit is to be received by which recipients at what cost.
Q14A	The board guides leadership and allows control of management through executive limitations.
Q16A	The CEO has discretion to act within the limits set by the board.
Q18A	The board's thinking is focused on the future and the long-term viewpoint.
Q19A	Board's policies specify who the board represents, what products it requires and how it will operate.
Q20A	The board evaluates the performance of the CEO only against ends and executive limitations policies.
Q24A	The board has defined its role, the role of the CEO, and the relationship between the CEO and the board.
Q26A	The board proactively sets its own agenda, rather than approving management decisions.
Q27A	The board has committed to establish, clarify and protect its relationship with the owners it has identified.

Source: Policy Governance Implementation Survey

An organization-level variable was also constructed from the mean by organization for Q52 (board member responses) to facilitate analysis with chairpersons and CEOs, of which there is only one per organization. Chief Executive Officers of Policy Governance organizations were also presented the item, "To what extent does the Policy Governance

model meet your expectations for board performance?” (Evaluated on a five-point scale from ‘No extent’ to ‘Very great extent’).

The third category of dependent variables gauges the level of organizational effectiveness in four different frameworks for all organizations in the study—goal achievement, financial viability, internal processes and job satisfaction—and in a fifth framework, CEO job performance, for the Policy Governance organizations. For the CEO job satisfaction and internal processes frameworks, indexes were constructed from several variables representing survey items tapping aspects of that effectiveness framework. Appendix A presents the variables used in the construction of the job satisfaction and internal processes effectiveness indexes.

The independent variables represent board and organizational factors expected to influence implementation of a board governance model (Policy Governance), board performance, and organizational effectiveness. The independent variables were gleaned from the literature on board governance and performance and organizational performance. Table 10 provides a summary of all variables used in the analysis.

Summary

This chapter described the process by which questionnaires were constructed and samples were drawn to collect data from organizations whose board members had indicated they operate under the Policy Governance model. This study is the first known effort to solicit information on aspects of implementation, board performance, and organizational effectiveness of the Policy Governance model. Following recommendations of scholarship in the field, data emanate from three groups of informants for each organization: board members, chairpersons and chief executive officers.

Table 10Measurement of Dependent and Independent VariablesDependent Variables:

I. Degree of implementation of Policy Governance in nonprofit board of directors

Index 1: PGMEAN; Extent of Policy Governance behaviors (12 item scale)

Index 2: TRADMEAN; Extent of traditional governance behaviors (8 item scale)

Index 3: PGORGMN; Organization-level variable of PGMEAN

II. Degree of change in board performance (mean of Q52): Q52; Q52CHAIR; Q52CEO

III. Degree of organizational effectiveness: (Appendix A)

Goal achievement: mean of item 40 (PGCEO Questionnaire); item 19 (Chair Questionnaire); item 53, (CEO and Implementation Questionnaire)

Index 5: Resource Acquisition (mean of item Q7)
revenues/expenditures ratios over 5 years

Index 6: Internal Processes (9 item scale)

Index 7: Job satisfaction: (10 item scale)

CEO performance (mean of item Q18CHAIR)

Independent Variables:

I. Board characteristics:

Size of board (number of board members)

Board training (total number of hours of training per board)

Use of a consultant (0=no, 1=yes)

Use of a planning committee (0=no, 1=yes)

Length of time operating under Policy Governance (total months since adoption)

II. Organization Characteristics:

Number of paid staff (number of individuals working full time and part time)

Number of volunteers

Age of organization in years

Annual revenue in dollars US

Type of organization (by NTEE categories: arts, culture, humanities; education; environment; health, human services; other mutual benefit; public, societal benefit; religion related, and other)

Two control samples were used to gather data in order to draw comparisons between organizations using Policy Governance and organizations that are governed other ways. The first control group is a stratified random sample of nonprofit organizations selected from the National Center on Charitable Statistics database.. The second control group is a sample of organizations that had received board training and development from the National Center for Nonprofit Boards.

The chapter concluded with a description of the dependent and independent variables used to conduct the analysis in the following chapters. The various indexes were derived and explained.

Chapter 5 presents the analysis and results for the first six hypotheses. Five hypotheses test factors pertaining to implementation of the Policy Governance model. The sixth hypothesis tests board members', chairpersons' and CEOs' perceptions of changes in board performance following adoption of the model.

CHAPTER 5

TESTING THE IMPLEMENTATION OF THE POLICY GOVERNANCE MODEL AND RELATIONSHIP TO BOARD PERFORMANCE

Chapter 5 presents the results of hypothesis testing related to the first two major research questions of this study: 1) Is there a difference in board practices before and after adoption of the Policy Governance model? Is the model adopted similarly in boards from diverse sectors of the nonprofit arena? 2) Do board members perceive a difference in their board's performance from before adoption of the model to after adoption?

Hypotheses addressing the first major research question test the extent to which the Policy Governance model is adopted in organizations and whether board members perceive a difference between traditional board practices and practices founded on the Policy Governance paradigm. Hypotheses for the first research question also test whether differences between organizations in mission category, board size, staff size, hours of training, annual revenue, organization age, use of a planning committee, and use of a consultant affect the extent of implementation of the Policy Governance model. The hypothesis addressing the second major research question tests whether the board members, chairpersons and CEOs perceive a difference in the performance of the board after the adoption of the Policy Governance model.

Sample

The data for this analysis are drawn from questionnaire responses from individuals representing 32 nonprofit organizations in the United States and Canada who indicated that their boards operate under the Policy Governance model. For 27 of the organizations, responses were received from all three groups of respondents--board members, board chairpersons and CEOs. In 2 organizations, neither the chairperson nor

the CEO returned surveys. In two different organizations, the chairperson did not return the questionnaire, and in a fifth organization, the CEO did not return the questionnaire. Numerous attempts were made to obtain these responses. Therefore, some analyses performed at the organizational level, or analyses testing relationships between board member, CEO and board chair responses are based on data from 27 organizations. Analyses pertaining solely to board member behaviors and perceptions are based on the responses from board members in all 32 organizations included in the sample. In this sample of 32 organizations, board member respondents numbered 243.

Description of the Sample of Respondents

Table 11 presents the demographic characteristics of the respondents.

Table 11

Demographic Characteristics of Board Member Respondents*

	Male	Female	No response	
Gender	46%	52%	2%	
	American	Canadian	Other	No response
Nationality	59%	38%	.8%	2.5%
	Caucasian	African American	Asian/Other	No response
Race	89%	3%	8%	4.5%
	Master's degree	4 Year College	PhD / Professional	High School/ Technical
Education	38%	28%	12%	20%

*N = 243

As a group, the board member respondents had served on an average of 4.6 boards of directors in the past ten years, in addition to the present service on a Policy Governance board tapped in this study.

In terms of education and ethnicity, the board members in the Policy Governance sample closely match the characteristics of the sample of a large national study of boards

conducted by the National Center for Nonprofit Boards and the Stanford University Graduate School of Business (NCNB, 1999). In that sample of 1342 respondents from primarily 501(c)(3) nonprofit organizations in the United States, 56% indicated that they had attained Master's or Doctoral degrees. This figure compares to the respondents in the Policy Governance boards, in which 50% indicated they had earned Master's or Doctoral degrees. In terms of ethnicity, 85.5% of the respondents in the NCNB sample indicated they were Caucasian, and minority board members constituted 14% of the sample. The racial composition compares to the percentage of Caucasians (89%) and minorities (11%) on the Policy Governance boards. The percentage of women on the Policy Governance boards (52%) exceeded the percentage of women on the boards in the NCNB sample (43%) by nine percent.

Analysis of Hypothesis 1

This section presents the statistical analyses regarding the five hypotheses pertaining to the first major research question. The first hypothesis proposes:

- H1 Board members score higher on indicators of Policy Governance practices and lower on traditional board practices after implementation of the Policy Governance Model compared to before implementation of the model.

The data to evaluate the first hypothesis are drawn from items 8 through 27 of the board implementation survey (see Appendix A). From the set of twenty individual board behaviors presented in these items, board members were directed to indicate in percentage terms to what extent their board practices a given behavior. The cut-off percentage points on the scale specified behaviors practiced 0%, 25%, 50%, 75%, or 100% of the time. The twenty items in this section consisted of twelve items describing Policy Governance behaviors and eight items portraying traditional board behaviors. Following the percentage rating for each behavior, respondents were given the option to indicate with a check mark whether their board had practiced each behavior or exhibited

each characteristic more than 75% of the time *before* the adoption of the Policy

Governance model. See Figure 5 for the design of the questionnaire item.

For each board behavior described below, please indicate in percentage terms to what extent your board practices that behavior. In addition, please check “Practiced before Pol.Gov.” if your board practiced the behavior described in the item more than 75% of the time **PRIOR** to adopting Policy Governance.

If you became a member of the board AFTER Policy Governance was adopted, please respond only to the percentage scale. Please choose only **ONE** percentage response.

0%	25%	50%	75%	100%	~	Practiced before Pol.Gov.
Board does practice behavior at all		Board practice behavior half of the time		Board practices behavior all of the time		-Board practiced this behavior 75% of the time prior to adopting Policy Governance.
		0	25	50	75	100
The board speaks with one voice.	9	9	9	9	9	Practiced before Pol. Gov. 9
The boards focuses on comprehensive policy development.		9	9	9	9	Practiced before Pol. Gov. 9

Figure 5: Board Practices section of the Policy Governance Implementation Survey. A total of 20 items, mixing traditional and Policy Governance-related board practices were presented in this section. Since the survey was administered at one-point-in-time, the option to indicate whether the board had practiced the behavior before the adoption of Policy Governance provided the researcher with an opportunity to assess before and after behaviors of board members.

Three analyses were performed to assess the extent of the differences in board practices following implementation of the Policy Governance model. First, means were determined for the set of items representing Policy Governance behaviors and the item set representing traditional board behaviors. A change to Policy Governance would be reflected in mean scores above 4.0 for the Policy Governance behaviors (practiced more than 75% of the time), and mean scores below 2.0 for the traditional board behaviors (practiced less than 25% of the time). The second analysis consists of a paired samples t-test comparing the means of Policy Governance item responses and the means of traditional item responses. Finally, the frequencies of board member responses to the

item “board practiced behavior 75% of the time prior to the adoption of Policy Governance” were tabulated. Nine respondents did not complete this portion of the survey—therefore the [N] for these analyses is 234.

Mean Scores of Policy Governance Behaviors

The extent to which the sample said that their boards were practicing Policy Governance is reflected in the mean scores for the twelve items. The overall mean score for all twelve behaviors based on the Policy Governance concepts is 4.1663 (SD= .5655), an indication that overall, board members feel they practice Policy Governance behavior 75% or more of the time on average. Table 12 displays the mean scores of the twelve Policy Governance items. With the exception of three items (Q13A, Q26A, AND Q12A), the means reported for the Policy Governance items surpass 4.0, reflecting a high degree of implementation for most of the Policy Governance behaviors.

Three of the four highest mean scores representing Policy Governance behaviors relate to the role of the CEO and board-management relations. The CEO position is defined differently in the Policy Governance model than in other models of nonprofit organizations. Rather than the CEO’s management practices being driven by continuous need for board approval as in a traditional board model, the CEO’s options are limited at the outset by board policies. Beyond those management options limited by the board, the CEO has discretion to choose the practices that will result in fulfillment of the board’s charge, the “ends” of the organization. For example, responses to items indicate that board members perceive that their CEO has discretion to act within the limits set by the board (mean = 4.80), and that the roles of the board, the CEO, and their relationship is defined (mean = 4.54). The data reveal that to a very great extent board members feel their boards are making the shift in CEO management practices to a Policy Governance orientation.

Table 12

Mean Scores of Board Members for Behaviors Based on Policy Governance Concepts

Item #	Board Practice or Behavior	Mean	S.D.
Q16A	The CEO has discretion to act within the limits set by the board.	4.80	.51
Q8A	Board speaks with one voice.	4.55	.81
Q24A	The board has defined its role, the role of the CEO, and the relationship between the CEO and the board.	4.54	1.00
Q14A	Board guides leadership and allows control of management through executive limitations.	4.49	.94
Q19A	Board's policies specify who the board represents, what products it requires and how it will operate.	4.32	1.07
Q20A	Board evaluates performance of the CEO only against ends and executive limitations	4.24	1.21
Q9A	Board focuses on comprehensive policy development.	4.10	.99
Q27A	The board has committed to establish, clarify and protect its relationship with the owners it has identified.	4.06	1.31
Q18A	Board thinking is focused on future and long-term viewpoint.	4.06	.85
Q12A	Board monitors staff/budget plans against board criteria.	3.76	1.60
Q26A	The board proactively sets its own agenda, rather than approving management decisions.	3.74	1.41
Q13A	Board has a policy that specifically addresses what benefit is to be received by which recipients at what cost.	3.35	1.71

Notes: Scale is Board practiced behavior 1=0%, 2=25%, 3=50%, 4=75%, 5=100% of the time. N=both current and former board members. Data in 75% rule column represents the total number of respondents marking the item "Board practiced this behavior 75% of the time prior to adopting Policy Governance." (N=234; 9 respondents did not complete these items).

Two of the three items with the lowest mean Policy Governance scores merit discussion. The lowest mean result occurs for the item that describes how "ends" for an organization are to be determined (what benefit is to be received by which recipients at

what cost). The low mean may indicate that board members have difficulty identifying organizational ends, or that determining ends constitutes an on-going process. In addition, the length of time a board has been operating under Policy Governance may influence their grasp of the “ends” concept. Since Carver recommends designing the ends policies last, after the means policies are completed, boards that have been practicing Policy Governance for only a short time may not have conceptualized their ends in this manner. Alternatively, board members may not identify with the language used in phrasing this question--although this is the precise language Carver uses in describing the process of identifying ends in his training sessions and books (Carver and Carver, 1997, p. 136). Thus, the language should be familiar or at least recognizable to board members who have been trained in the Policy Governance model and whose boards claim to be guided by it. The second board practice resulting in a low mean score states, “The board proactively sets its own agenda, rather than approving management decisions.” The lower mean score (3.72) seems surprising in light of the strong board model Carver promotes, and would seem to indicate that the board still allows management to make decisions that the board reviews. Again, this mean score could reflect that some boards are in transition to Policy Governance—at full implementation, it is expected that the board would drive the agenda.

As stated previously, for each board behavior presented, board members were given the opportunity to indicate if their board had practiced the behavior prior to adopting the Policy Governance model. “Real” change to Policy Governance would be evident by high means (4.0 and above) for the items based on Policy Governance concepts and low frequency on the “75% rule,” indicating that few board members practiced Policy Governance-type behaviors prior to adoption of the model. Table 13 presents the frequency of affirmative responses to the item “board practiced behavior more than 75% of the time prior to adopting Policy Governance” for the twelve Policy Governance behaviors.

Table 13
Board Members' Policy Governance Behaviors Prior to
Adoption of Policy Governance Model

Item #	Board Practice or Behavior	N	Percentage
Q8B	Board speaks with one voice.	43	18.3
Q12B	Board monitors staff/budget plans against board criteria.	25	10.7
Q9B	Board focuses on comprehensive policy development	20	8.5
Q16B	The CEO has discretion to act within the limits set by the board.	20	8.5
Q18B	Board thinking is focused on future and long-term viewpoint.	15	6.4
Q27B	The board has committed to establish, clarify and protect its relationship with the owners it has identified.	14	5.9
Q26B	The board proactively sets its own agenda, rather than approving management decisions.	12	5.1
Q19B	Board's policies specify who the board represents, what products it requires and how it will operate.	11	4.7
Q24B	The board has defined its role, the role of the CEO, and the relationship between the CEO and the board.	11	4.7
Q13B	Board has a policy that specifically addresses what benefit is to be received by which recipients at what cost.	10	4.2
Q14B	Board guides leadership and allows control of management through executive limitations.	9	3.8
Q20B	Board evaluates performance of the CEO only against ends and executive limitations	8	3.4

Notes: [N] represents the number of board members who checked, "board practiced behavior more than 75% of the time prior to adopting Policy Governance." Percentage is the number of responses relative to 234, the total sample. Since board members were instructed not to respond to this item if they had not participated on the board prior to adopting Policy Governance, the number of respondents to this item is correspondingly lower. See item instructions, page 138.

The results in Table 13 show that for most behaviors, a low percentage of board member respondents indicated they practiced these Policy Governance-oriented

behaviors 75% of the time (or more) prior to adoption of the Policy Governance model. For example, for a Policy Governance-related item that received a high mean response on the percentage rating scale, “The board has defined its role, the role of the CEO, and the relationship between the CEO and the board” (M=4.54, or “practiced nearly 100% of the time”), only 11 board members responded to the 75% rule, indicating a low incidence of this behavior prior to adopting the Policy Governance model (4.7% of the total number of respondents). Another item with low percentage for the 75% rule option was item Q14, “Board guides leadership and allows control of management through executive limitations.” Only 9 board members responded to the 75% rule option, an indication that few boards had practiced this behavior prior to adopting Policy Governance (3.8% of the total number of respondents). Although a limited number of board members responded to the “75% rule” section of the item, (they were instructed not to respond if they had not served on the board prior to the adoption of Policy Governance) it appears that they perceive that Policy Governance-type behaviors were practiced to only a minimal degree previous to the board’s formal adoption of the model.

The item with the highest frequency, “Board speaks with one voice,” is a behavior advocated by those advising boards operating according to the traditional model as well. For example, Houle’s (1997) definition includes collective action: “Individual personalities must be blended together into a functioning group with its own spirit, tone, and distinctive quality. The board must be able either to achieve consensus or to define a majority opinion that reflects the wishes of as many of its members as possible. Once a decision is made, all members must accept the obligation to work together in harmony” (Houle, 1997, p. 8). Therefore it would be expected that although this board practice might not have been articulated precisely as “speaking with one voice,” board members’ responses appear to indicate they assign a similar meaning as the collective behavior described by Houle (1997) in the traditional model. Thus, a relatively large percentage

of board members (18.3%), although less than one in five, perceived this behavior prior to adoption of Policy Governance.

Traditional Board Behaviors

The first hypothesis proposes that there is a significant difference in board practices before the implementation of the Policy Governance model and after implementation of the model. Therefore, in contrast to the items reflecting Policy Governance behaviors, the mean scores for the behaviors based on traditional board concepts should be 2.0 or lower, indicating that members of Policy Governance boards rarely practice these more traditional behaviors (25% or less of the time) since the transition to Policy Governance. Table 14 displays board members' responses to the items describing traditional board behaviors.

The mean scores presented in Table 14 demonstrate that the board member respondents discriminate between Policy Governance behaviors versus more traditional board behaviors. The means of the traditional board items are substantially lower than the means for the items tapping Policy Governance practices. For example, the highest mean score for the traditional item scale ($M=2.87$ for item Q10A) is still .48 lower than the lowest mean score on the Policy Governance scale ($M=3.35$ for Policy Governance item Q13A; see Table 13). There appears to be no overlap between the mean scores of traditional items and the mean scores of Policy Governance items. Board members' ratings of the items occupy two ends of the percentage scale, with the means of traditional items ranging from 1.35 to 2.87, and the means of the Policy Governance items ranging from 3.35 to 4.80.

Relatedly, the scores in the 75% rule column should be higher, indicating that board members practiced these traditional behaviors more than 75% of the time prior to the adoption of Policy Governance. Table 15 presents the frequencies of board member responses to the "practiced before" item for the traditional board practices. The results

Table 14

Mean Scores of Board Members for Behaviors Based on Traditional Concepts

Item #	Board Practice or Behavior	Mean	S.D.
Q10A	Board recognizes in a general way that it represents some constituency.	2.87	1.70
Q11A	Board prescribes in its bylaws or personnel policies what the CEO and staff shall do.	2.74	1.76
Q21A	Staff makes most decisions with approval or permission from the board.	2.21	1.52
Q22A	Board rarely has the right amount or type of information it needs to make decisions.	1.82	1.13
Q15A	Board makes managerial or operational decisions.	1.77	1.17
Q17A	The delegation of duties between the board and CEO is inconsistent, unclear and unproductive.	1.38	.84
Q23A	Board is preoccupied with day-to-day concerns.	1.36	.73
Q25A	Board continually monitors staff work, and is inconsistent between tight and loose control.	1.35	.86

Notes: Scale is Board practiced behavior 1=0%, 2=25%, 3=50%, 4=75%, 5=100% of the time. N=235, both current and former board members. Data in 75% rule column represents the total number of respondents marking the item “ Board practiced this behavior 75% of the time prior to adopting Policy Governance.”

indicate that for most items higher percentages of board members perceive that their boards practiced traditional behaviors prior to adopting the Policy Governance model than board members that had indicated their boards practiced Policy Governance behaviors prior to adopting the model (see Table 13 for comparison).

The range in the percentage of board members who indicated their boards had practiced traditional behaviors prior to adopting Policy Governance is 6.8% of the total sample at the lowest end, and 20% of the total sample at the highest end. For the Policy

Table 15
Frequency of Board Members' Traditional Behaviors Prior to Adoption

Item #	Board Practice or Behavior	N	Percentage
Q15B	Board makes managerial or operational decisions.	47	20.0%
Q23B	Board is preoccupied with day-to-day concerns.	42	17.9
Q11B	Board prescribes in its bylaws or personnel policies what the CEO and staff shall do.	41	17.5
Q10B	Board recognizes in a general way that it represents some constituency.	40	17.0
Q21B	Staff makes most decisions with approval or permission from the board.	35	14.9
Q17B	The delegation of duties between the board and CEO is inconsistent, unclear and unproductive.	34	14.5
Q25B	Board continually monitors staff work, and is inconsistent between tight and loose control	31	13.2
Q22B	Board rarely has the right amount or type of information it needs to make decisions	16	6.8

Notes: [N] represents the number of board members who checked, "Board practiced behavior more than 75% of the time prior to adopting Policy Governance." Percentage is the number of responses relative to 234, the total sample.

Governance behavior scale, item Q8A ("The Board speaks with one voice") is removed (see explanation, page 142-3); the range in percentages of board members who indicted their boards had practiced Policy Governance behaviors prior to formally adopting the model is 3.4% at the lowest end to 10.7% at the highest end. Thus, a greater percentage of board members that responded to the 75% rule item perceive that their boards practiced traditional behaviors prior to adopting Policy Governance behaviors than perceived their board practiced Policy Governance-type behaviors prior to adoption of the model.

In summary, board members' responses to these behavioral items appear to indicate that they distinguish between behaviors described in Policy Governance terms

and behaviors described in traditional board terms. Board members' mean scores on items reflecting Policy Governance behaviors are high (greater than 4.0), indicating that they practice these behaviors more than 75% of the time, while their mean scores on items reflecting traditional board behaviors are low (mean scores=2.8 or less), indicating they practice traditional behaviors 25% of the time or less. Further, responses to the 75% rule indicate that board members practiced traditional behaviors to a greater extent prior to adopting the Policy Governance model. In regard to implementation of the Policy Governance model, these results suggest that: a) board members distinguish items expressing Policy Governance behaviors from items expressing traditional behaviors with great consistency; and b) overall, a greater percentage of board members indicated that they practiced traditional behaviors prior to adopting Policy Governance than indicated they practiced behaviors associated with Policy Governance prior to adopting the model.

The responses of these board members represent the behavior of the board at one point in time. Due to the fact this is a "snap-shot," retrospective study, there are limitations inherent in determining how board members performed board responsibilities prior to adopting Policy Governance. Although early versions of the survey attempted to elicit board members' perceptions of their board's practices pre and post Policy Governance for each behavior, it was determined that these items were too cumbersome and time consuming. While the items queried how the board behaved pre-Policy Governance, board members were in fact responding from a post-Policy Governance perspective. The 75% rule employed ("To what extent did your board practice this behavior more than 75% of the time prior to adopting Policy Governance?") was a satisfactory, although not perfect method of determining whether board members practiced a given behavior before the board adopted Policy Governance. The 75% rule served as an arbiter for pre-Policy Governance behavior and gave a sense, if not a precise measure, of how the board behaved prior to adopting Policy Governance.

Board members' responses to the 75% rule on the Policy Governance items compared to their responses to the 75% rule on the traditional items show that a greater percentage of board member respondents perceived that they practiced traditional behaviors prior to adopting Policy Governance. This limited data from the 75% rule item does suggest a change in board members' behavior from before the adoption of Policy Governance to after adoption of the model. Based on the mean responses to the traditional and Policy Governance behavioral items, and data from the 75% rule item, it appears that board members perceive a shift in their governance behaviors since adopting the Policy Governance model.

Comparing Means Scores

Hypothesis 1 proposes that there is a significant difference in board practices before implementation of Policy Governance and after implementation. To test the proposed difference, two new variables were constructed: the mean of the scores for the twelve Policy Governance items (PGMEAN) and the mean of the scores for the eight traditional items (TRADMEAN). A paired sample t-test was conducted to observe to what extent board members responses vary more toward Policy Governance behavior. Results are presented in Table 16.

The difference between the averages (means) on PGMEAN (4.1663) and TRADMEAN (1.9370) is 2.2293. The 95% confidence interval for the average difference is from 2.1109 to 2.3478. Since the confidence interval does not include the value of [0], the null hypothesis that there is no significant difference between the mean of the Policy Governance measure and the mean of the traditional measure can be rejected at the .0001 statistical significance level. In addition, the correlation of PGMEAN and TRADMEAN is -.151, ($p < .05$) an indication that the two types of board behaviors—those aligned with

Table 16

Results of Paired Samples t-test: PGMEAN and TRADMEAN

	Pair 1
	PGMEAN-TRADMEAN
Mean Difference	2.2293
Std. Deviation	.9198
Std. Error Mean	6.013E-.02
t	37.007
df	233
Sig. (2-tailed)	.000

concepts of the Policy Governance model and those following more traditional board practices-- are negatively correlated. That is, a slight tendency exists for board members who say they practice Policy Governance more to say they practice traditional board behaviors less.

In summary, hypothesis 1 is supported. First, board members' responses to the 20 board behavior items indicate that at the time of the survey board members said that they practiced Policy Governance behaviors much more often than traditional board behaviors. Second, the mean scores of items in the traditional and Policy Governance scales suggest board members hold significantly different perceptions of Policy Governance board practices compared to traditional board practices. The results of the t-test indicate that the difference between the two means, PGMEAN and TRADMEAN is statistically significant at the .0001 level. Third, evidence from the 75% rule, in concert with the observed mean differences in Policy Governance and traditional board behaviors suggests that board members' behaviors shifted from traditional behaviors (practiced to a greater frequency prior to implementation of the Policy Governance model) to behaviors associated with Policy Governance after the board adopted the model.

Analysis of Hypothesis 2

The second hypothesis states:

- H2 There is no significant difference in implementation of the Policy Governance model between the governing boards of the organizations in this sample in different mission categories of the NTEE classification system.

The second hypothesis tests the contention by Dr. Carver that the Policy Governance model can be applied universally. His training materials exhort that the model applies “to any governing board, to any type of organization, in any culture, at any stage of development” (Carver, 1999, Brief Summary: Training Packet materials). He writes, “We have certainly found situations in which Policy Governance is more difficult to implement. But our interactions with board members and executives in widely varying cultures from several continents support our confident assertion that the model works well in any situation” (Carver and Carver, 1997, p. 4).

The organizations in the sample were categorized according to the National Taxonomy of Exempt Entities resulting in seven groups. Categories were assigned in three ways. First, the main contact for each organization indicated the major service category of each organization. The organization was placed in that category pending confirmation. Second, the chairperson of each organization responded to a questionnaire item that asked, “Please indicate the primary mission/program area of your organization.” The chairpersons were presented with the ten category listing from the NTEE classification scheme (National Center for Charitable Statistics, 1998). Original category placements were confirmed with this rating by the chairperson. Third, if the chairperson indicated “other” and specified a more limited classification, a decision was made by considering the response of the main contact for the organization and by consulting the NTEE scheme. In a few circumstances, phone calls to either the agency or NTEE confirmed the classification. Table 17 summarizes the categories represented by the

organizations, the number of organizations per category, and the number of cases (board members) within each category .

Table 17

NTEE Classification of Organizations in the Sample

NTEE Category	(N) Orgs	(N) Board members
II. Education	9	72
III. Environment/Animals	1	10
IV. Health	10	89
V. Human Services	6	37
VII. Public/Societal Benefit	3	16
VIII. Religion	1	12
X. Unknown/Unclassified	2	7
Total	32	243

In order to test the null hypothesis that the mean scores for Policy Governance board behaviors in the seven categories of the NTEE classification scheme in Table 18 do not differ, analysis of variance was conducted with the variable PGMEAN as the dependent variable and NTEE2 (organizations coded 1 through 7 for the NTEE mission category) as the independent variable. Results of the ANOVA procedure are presented in Tables 18 and Figure 6.

Table 18 presents the descriptive statistics. The mean of Policy Governance board behaviors for the entire sample of organizations is 4.2, indicating that board members feel that they practice Policy Governance behaviors more than 75% of the time on average. The means of two particular types of organizations stand apart from the other categories—Public and Societal Benefit, and Religion-Related. The mean for the Public and Societal Benefit organizations is 4.6, indicating board members feel they practice Policy Governance behaviors nearly all the time. The mean for the Religion-

related organization is 3.8, indicating board members' perception that they practice Policy Governance behavior less than 75% of the time.

Table 18

Descriptive Statistics for PGMEAN in Seven NTEE Categories

	PGMEAN: Mean of Scores for Policy Governance Board Behaviors						
	Seven Categories of the NTEE Classification System						
	2.00	3.00	4.00	5.00	7.00	8.00	10.00
N (Board Members)	70	10	84	36	16	11	7
Mean	4.098	4.058	4.210	4.139	4.625	3.773	4.191
S.D.	.6725	.6621	.4278	.5059	.4060	.5929	.7648
S.E.	8.038E-02	.2094	4.667E-02	8.432E-02	.1015	.1788	.2891
95% confidence interval for MEAN	Lower Upper	3.938	3.585	4.118	3.968	4.409	3.374
		4.258	4.532	4.303	4.310	4.841	4.171
Min		2.17	2.58	3.08	2.92	3.42	2.92
Max		5.00	4.75	5.00	4.75	5.00	4.67

Notes: (N) is 234. (9 respondents did not complete these items) Categories are Education, (2.00); Environment and Animals, (3.00); Health, (4.00); Human Services, (5.00); Public, Societal Benefit, (7.00); Religion Related, (8.00); Unknown, Unclassified, (10.00).

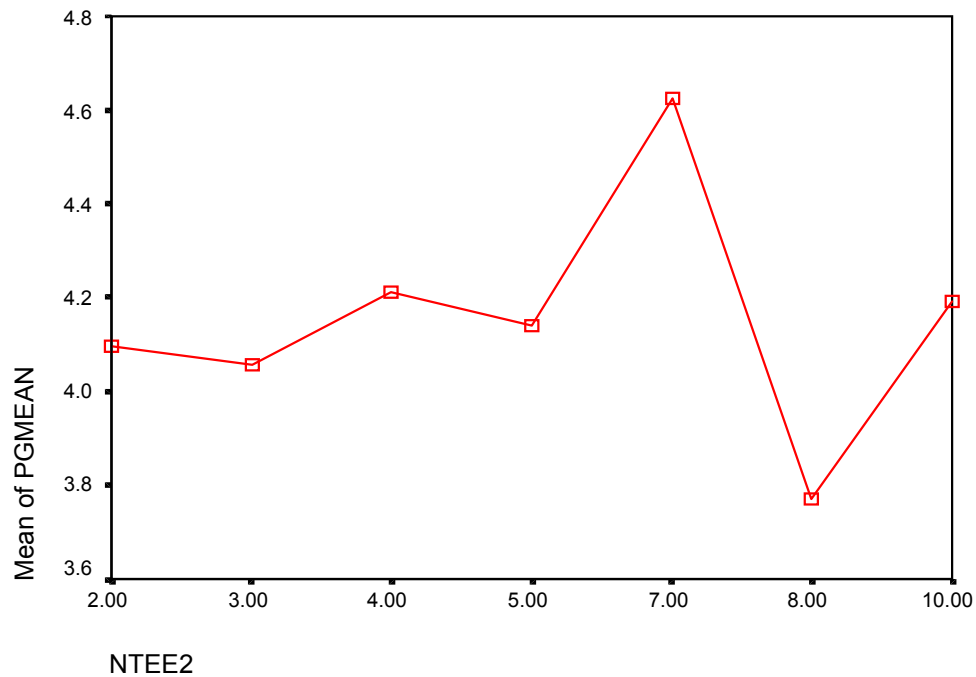


Figure 6: Organization Means for PGMEAN by NTEE2 Categories. Note: Education=2.00; Environment and Animals=3.00; Health=4.00; Human Services=5.00; Public, Societal Benefit=7.00; Religion Related=8.00; Unknown, Unclassified=10.00.

The Means Plot illustrates the differences in means for the Public, Societal Benefit organizations (category 7.00) and the religion-related organization (category 8.00). These results should be interpreted with caution however, since the sample included only one religion-related organization and three public-societal benefit organizations.

The public-societal benefit and religion-related categories also vary according to the measures of traditional board behaviors (Figure 7). The Means Plot for the variable TRADMEAN reveals that the two categories, Public-societal benefit and Religion-related, vary inversely on the measure of traditional behavior compared to the measure of Policy Governance behavior depicted on the PGMEANS plot.

The TRADMEAN means plot indicates that the mean for traditional behaviors for the Public, Societal Benefit organizations is 1.7, indicating that in these organizations, board members perceive that they practice traditional behaviors less than 25% of the time on average. In contrast, in the Religion-related organization, the mean for traditional behaviors is 2.4, indicating that board members perceive that they practice traditional board behaviors more than 25% of the time on average.

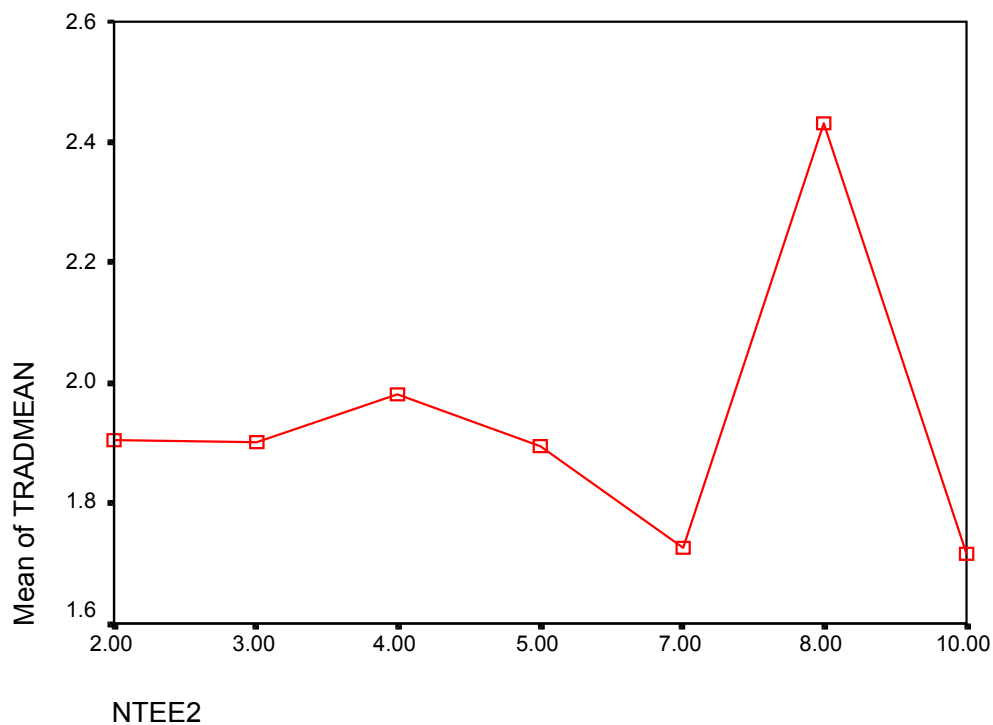


Figure 7: Organizational Means for TRADMEAN by NTEE2 Categories.
 Education=2.00; Environment and Animals=3.00; Health=4.00; Human Services=5.00;
 Public, Societal Benefit=7.00; Religion Related=8.00; Unknown, Unclassified=10.00.

The pattern of mean values on the PGMEAN plot and the TRADMEAN plot for the Religion-related organization is opposite-- the mean is high for traditional behaviors

(above 2.4) and low for Policy Governance behaviors (below 3.8) compared to the other types of organizations in the NTEE classification.

The analysis-of-variance table provides further evidence to reject the hypothesis that there is no significant difference in implementation of the Policy Governance model across the governing boards of the organizations in this sample in the different mission categories of the NTEE classification system. Figure 8 presents the results of the analysis of variance of PGMEAN by the NTEE classification.

ANOVA

PGMEAN

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	5.711	6	.952	3.141	.006
Within Groups	68.796	227	.303		
Total	74.507	233			

Figure 8: Analysis of Variance of PGMEAN by NTEE Classification System

The F-ratio of 3.141 shown in figure 8 indicates that the sample means vary more than would be expected if there were no difference in implementation between the organizations in the different mission categories of the nonprofit classification system (statistical significance $p < .006$). These results show some support for the alternative hypothesis that implementation of Policy Governance concepts varies significantly across mission categories of the nonprofit classification system (NTEE). It is important to note that the greatest difference is on the religion-related organization and the three public-societal benefit organizations, and that there are very few organizations in these two categories. A second analysis of variance procedure was performed in order to determine that differences in the implementation mean were not due to the length of time that boards had been operating under the Policy Governance model. This analysis did

not yield significant differences between the organizations in different mission categories for the length of time operating under the model. Results should be interpreted with caution. Nonetheless, the results merit further exploration.

In order to further explore variations by organization, an analysis-of-variance procedure was performed using each item of the Policy Governance behaviors scale as the dependent variable and the NTEE2 variable as the explanatory factor. This level of analysis should isolate the particular Policy Governance concepts that differentiate between implementation level in different categories of organizations. Six items of the scale emerged with F-ratios significant at the 0.10 level or greater. Table 19 presents these results.

Table 19

Analysis of Variance of Means of Policy Governance Behaviors

Item	F	Sig.
Q13A: The board has a policy that specifically addresses what benefit is to be received by which recipients at what cost.	2.065	.058
Q8A: The board speaks with one voice.	2.047	.061
Q24A: The board has defined its role, the role of the CEO, and the relationship between the CEO and the board.	2.521	.022
Q19A: The Board's policies specify who the board represents, what products it requires and how it will operate.	2.584	.019
Q26A: The board proactively sets its own agenda, rather than approving management decisions.	2.596	.019
Q18A: The board thinking is focused on the future and the long- term viewpoint.	3.847	.001

Note: N=234

Figure 9 displays the means plot for the first variable whose mean significantly differs across the NTEE organization categories. For variable Q8A, the highest mean score is in the organizational category "Environment and Animals," for which there is only one organization in the Policy Governance organization sample. The organization was profiled in *The New England Nonprofit Quarterly* (1999, p. 26). The vice-president

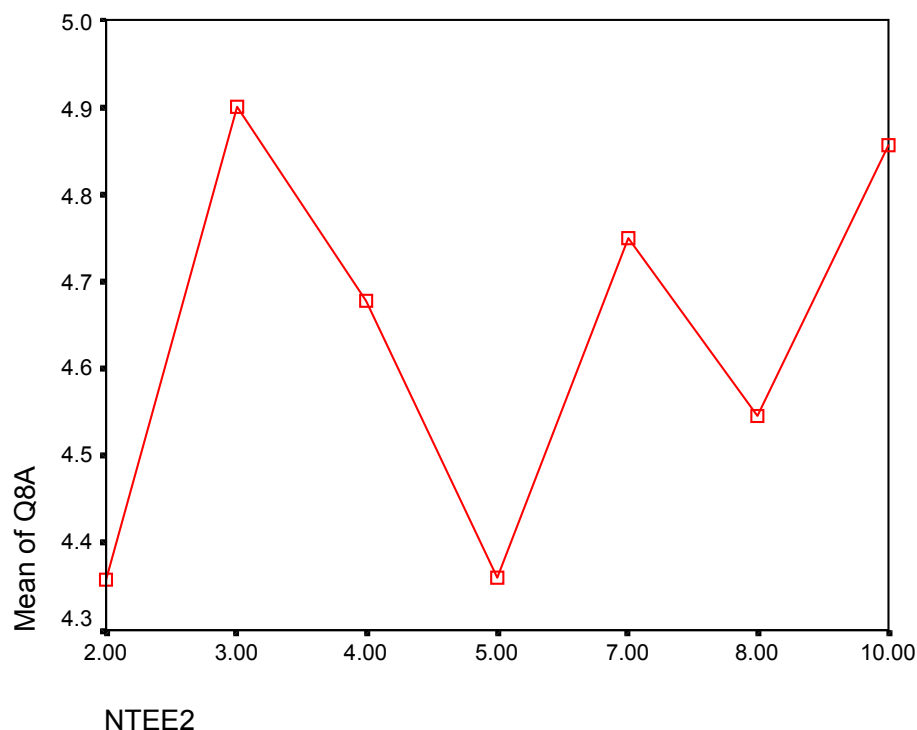


Figure 9: Means Plot for Variable Q8A by NTEE Classification. Education=2.00; Environment and Animals=3.00; Health=4.00; Human Services=5.00; Public, Societal Benefit=7.00; Religion Related=8.00; Unknown, Unclassified=10.00. Item Q8A is, “The board speaks with one voice.”

described board’s purposeful effort to change to the Policy Governance model. She mentions that they reduced the size of the board by half, resulting in a more cohesive group. She emphasized that the board and staff must be committed to making Policy Governance work. In light of her comments, the high mean for “Board speaks with one voice” is not surprising. In contrast, the education and human services organizations have lower means that distinguish them from organizations in the other NTEE categories. However, it should be noted that the means for all the NTEE categories on this item are above 4.3 on a 5 point scale.

Four of the items reveal a very consistent pattern across the NTEE categories. For items Q13A, Q18A, Q19A and Q24A, the organization mission category reflecting the lowest mean score was Religion-related. The Means Plots for items Q13A, Q18A, Q19A, and Q24A display a dramatic dip for the religious organization, while the Public,

Societal Benefit organizations produce a dramatic peak in the graph. The four items are: “The board has a policy that specifically addresses what benefit is to be received by which recipients at what cost (Q13A); “The board is focused on the future and the long-term viewpoint” (Q18A); “Board policies specify who the board represents, what products it requires and how it will operate” (Q19A); and “The Board has defined its role, the role of the CEO, and the relationship between the CEO and the board” (Q24A).

One reason for the low mean for the item regarding the role of the CEO in the religion-related category may be that a “CEO” per se does not exist—the church has a minister whose role differs from that of an organizational manager. It may have been difficult for board members to enact Policy Governance policies that reflect Dr. Carver’s view of the CEO role, or to conceptualize their minister in a managerial role in the questionnaire items. Figures 10 through 14 present the Means Plots for these survey items.

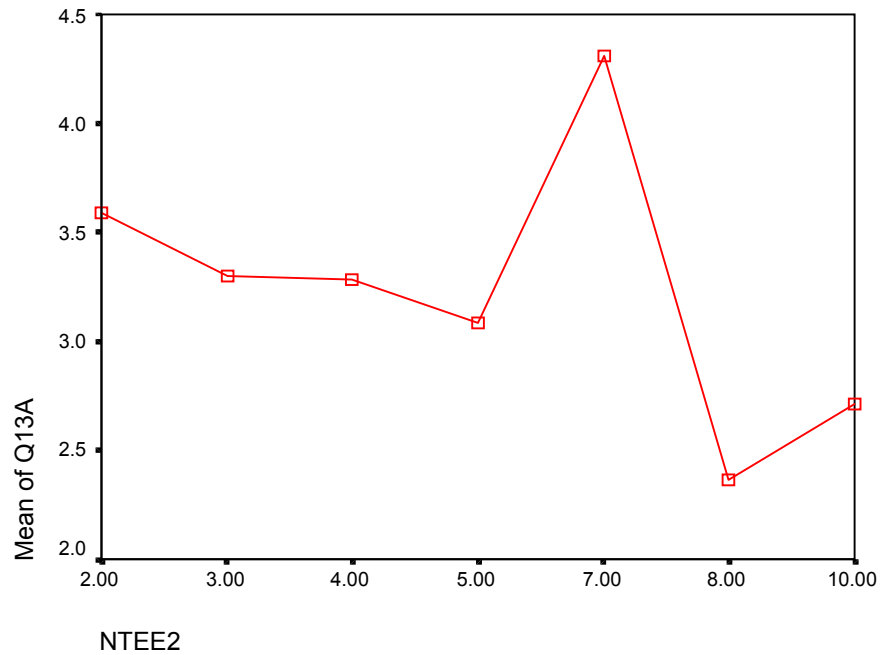


Figure 10: Means Plot for Variable Q13A by NTEE Classification. Education=2.00; Environment and Animals=3.00; Health=4.00; Human Services=5.00; Public, Societal Benefit=7.00; Religion Related=8.00; Unknown, Unclassified=10.00. Item Q13A is, “The board has a policy that specifically addresses what benefit is to be received by which recipients at what cost.”

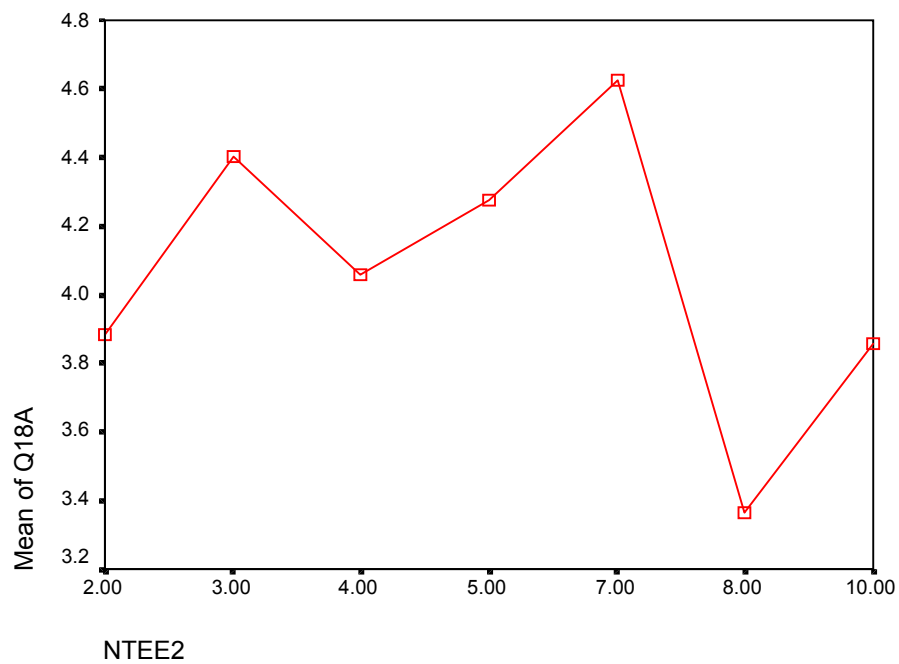


Figure 11: Means Plot for Variable Q18A by NTEE Classification. Refer to Figure 10 for categories. Item Q18A states, “The board is focused on the future and the long-term viewpoint.”

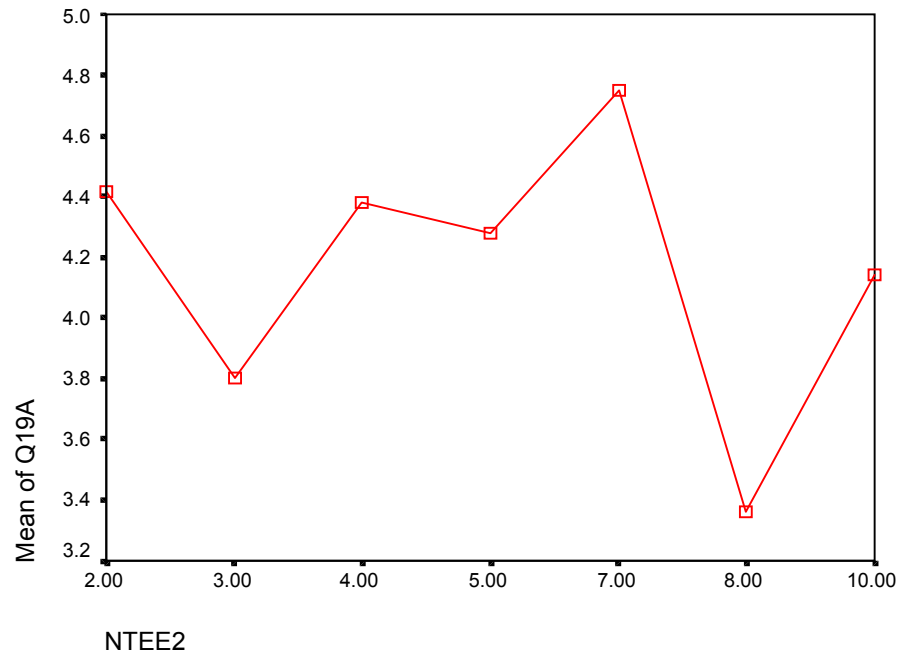


Figure 12: Means Plot for Variable Q19A by NTEE Classification. Refer to Figure 10 for Categories. Item Q19A states, “Board policies specify who the board represents, what products it requires and how it will operate.”

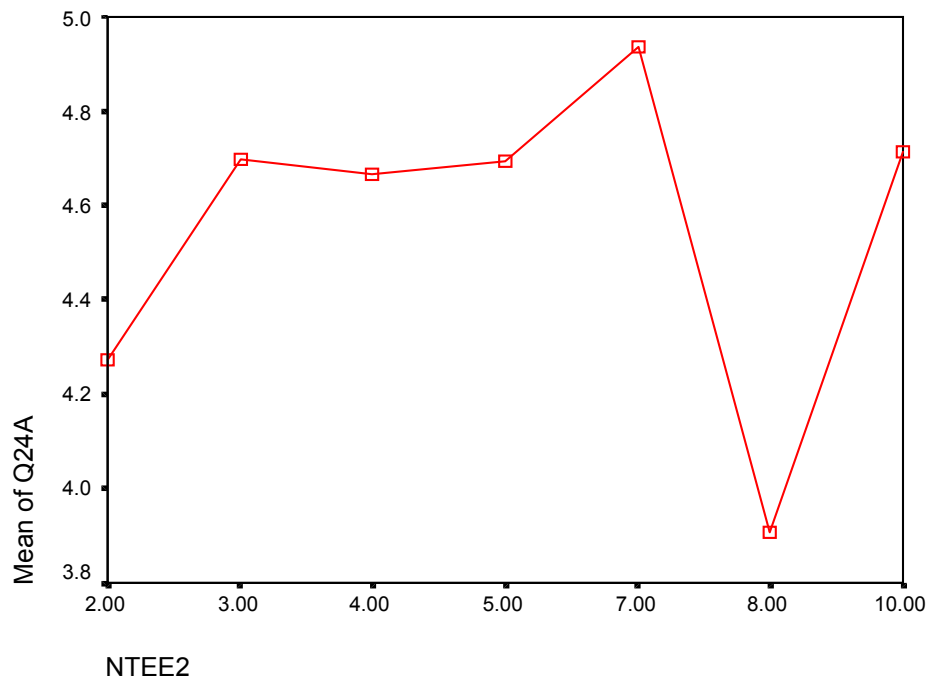


Figure 13: Means Plot for Variable Q24A by NTEE Classification. Refer to Figure 10 for Categories. Item Q24A states, “The Board has defined its role, the role of the CEO, and the relationship between the CEO and the board.”

The means plot for the final Policy Governance behavior variable that distinguishes between NTEE-classified organizations is presented in Figure 14. The pattern of low and high means for variable Q26A varies from the means plots for the four variables presented above.

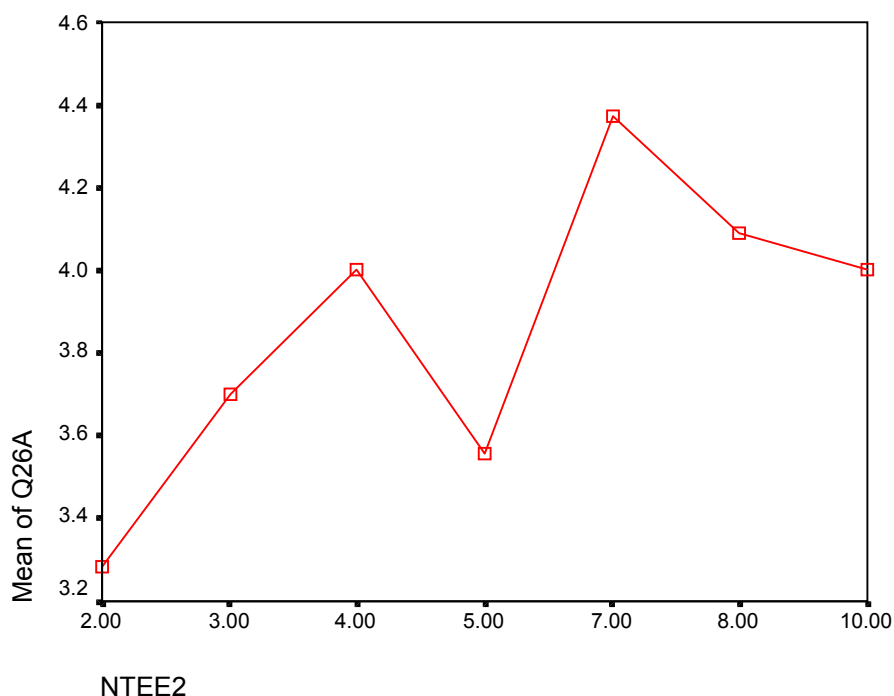


Figure 14: Means Plot for Variable Q26A by NTEE Classification. Education=2.00; Environment and Animals=3.00; Health=4.00; Human Services=5.00; Public, Societal Benefit=7.00; Religion Related=8.00; Unknown, Unclassified=10.00. Item Q26A states, “The board proactively sets its own agenda, rather than approving management decisions.

A distinct pattern emerges for the sixth Policy Governance item (Q26A) differentiating implementation levels by NTEE mission category. For the item, “The board proactively sets its own agenda, rather than approving management decisions,” the lowest mean score occurs for the Education (3.29) and Human Services categories (3.56), while the mean for the Religion-related category is 4.09. It appears that the board members of the Religious organization perceive that they proactively set their own agenda more than 75% of the time. Board members from Education and Human Services

organizations perceive that they practice agenda-setting behavior only about 50% of the time. One could speculate that congregational boards are more in control of their agenda than human services or education boards which may have external constraints placed on them by public responsiveness or funding. Again, caution must be exercised due to the small number of organizations represented in the sample.

In summary, Hypothesis 2 is not supported in these data. Analysis of mean scores suggests a significant difference in implementation of Policy Governance across the governing boards of the organizations in this sample in different mission categories of the NTEE classification system. The Religion-related and Public, Societal Benefit classifications differ most from the other organizations in implementation means for Policy Governance board practices. Care should be taken, however, for just six distinct Policy Governance behaviors of the 12 examined appear to significantly differentiate between levels of implementation of the model in the boards of directors of organizations in the different NTEE classifications. As stated, the analysis must be interpreted with caution, for there are few organizations in any one category, particularly in the case of public benefit (three organizations), environment/animals (one organization) and religion-related (one organization).

Analysis of Hypothesis 3

The third hypothesis states:

H3 Across diverse nonprofit organizations, indicators of components of the Policy Governance Model will be positively correlated among one another.

This hypothesis was developed in response to Dr. Carver's position that the Policy Governance model is an integrated whole, and that in order for boards to realize the maximum potential the model must be implemented in its entirety. Carver considers Policy Governance a "paradigm shift" that cannot be applied incrementally or by selecting more "desirable" or more easily adopted parts; it must be adopted in total: The

model “should be implemented rigorously in order to benefit from its powerful potential” (Carver and Carver, 1997, p. 35). If the board members in this sample have adhered to Carver’s advice to implement the model “rigorously,” then analyses should reveal that board members implementing one Policy Governance behavior are likely to implement other Policy Governance behaviors as well. Correlation analyses is employed to test this hypothesis.

Pearson’s r , correlations analysis were calculated to ascertain whether the different components of the Policy Governance model are inter-related with respect to adoption. The correlation procedure was performed on 12 questionnaire items measuring board member Policy Governance behaviors. (The mean scores for these twelve behaviors are aggregated in the dependent variable, PGMEAN, and analyzed above). Table 22 shows that eleven of the 66 inter-correlations are related at the .05 significance level, and 35 more at the .01 significance level. Partial correlation analysis was conducted on this same set of variables controlling for the length of time the board had been utilizing the Policy Governance model, (calculated in the number of months, as supplied by the board chairperson). Controlling for this variable, MONTHSPG, the correlations are stronger. All achieved statistical significance levels of .001 or greater except for two (still statistically significant at conventional levels): the correlation between variables 12A and 13A ($p < .003$) and the correlation between variables 12A and 26A ($p < .029$). Results of the partial correlation procedure are presented in Table 20, and frequencies for the strength of relationship (measured by the correlation) are presented in Table 21.

The correlation between variables 12A and 13A may be less strong because the two concepts involved represent very different policy areas. Item 12A refers to monitoring staff plans and the budget against board-established criteria, a functional practice associated with means policies, while item 13A reflects the core purpose of the organization –what benefit is to be received by which recipients for what cost. Although

staff plans and budget will likely be the manifestation of the board's mandate for accomplishing the ends, in board members' minds these two concepts may not seem so closely related. The other less strong correlation (but still significant at $p < .01$) also involves item 12A, but the linkage is with item 26A, which states, "The board proactively sets its own agenda, rather than approving management decisions." These two items would appear to be more closely related since they are both in the Governance process policy area. Apparently board members do not perceive so strongly how monitoring the work of the staff and the budget against the board's criteria is related to creating and driving their own agenda.

Table 20

Correlations Between Board Members' Responses for Twelve Policy Governance Behaviors

	8A	9A	12A	13A	14A	16A	18A	19A	20A	24A	26A	27A
8A	---		.									
9A	.295**	---										
12A	.127	.132*	---									
13A	.120	.212**	.129*	---								
14A	.275**	.251**	.110	.231**	---							
16A	.090	.176**	.008	.052	.168*	---						
18A	.142*	.329**	.166*	.260**	.174*	.152*	---					
19A	.144*	.254**	.096	.336**	.288**	.126	.230**	---				
20A	.179**	.213**	.224**	.206**	.257**	.097	.170**	.230**	---			
24A	.313**	.174**	.021	.151*	.355**	.119	.225**	.288**	.203**	---		
26A	.200**	.143*	-.031	.121	.214**	.092	.030	.091	.268**	.345**	---	
27A	.133*	.124	.089	.190**	.180**	.083	.254**	.419**	.226**	.334**	.159*	---

Notes: See Appendix A for items. *p<.05; **p<.01. N = 234, number of board members completing these items

Table 21

Partial Correlations Between Board Members' Responses for Twelve Policy Governance Behaviors
Controlling for the Number of Months an Organization has been Operating under Policy Governance

	8A	9A	12A	13A	14A	16A	18A	19A	20A	24A	26A	27A
8A	---											
9A	.597**	---										
12A	.387**	.322**	---									
13A	.314**	.331**	.207*	---								
14A	.665**	.558**	.357**	.352**	---							
16A	.659**	.609**	.347**	.331**	.678**	---						
18A	.469**	.538**	.334**	.347**	.508**	.599**	---					
19A	.504**	.528**	.316**	.480**	.608**	.588**	.486**	---				
20A	.491**	.497**	.399**	.337**	.577**	.566**	.433**	.503**	---			
24A	.561**	.436**	.226**	.294**	.611**	.540**	.453**	.521**	.445**	---		
26A	.443**	.361**	.153	.238*	.437**	.439**	.291**	.323**	.452**	.511**	---	
27A	.400**	.383**	.257**	.278**	.484**	.484**	.405**	.569**	.460**	.547**	.382**	---

Notes: See Appendix A for items. N = 201, the number of board members for the number of months the board has utilized the Policy Governance model was available. ** $p < .0001$; * $p < .01$

Table 22 presents frequencies by strength of relationship of the partial correlations. More than three-fourths of the correlations (78.9%) range between .301 and .600, and all are significant at the .0001 level. Nearly one-tenth (9.1%) of the relationships are correlated at the .601 to .700 level. According to Newton and Rudestam (1999), bivariate relationships at the .50 level are interpreted as “strong positive,” indicating a level of shared variance that has less than one in 10,000 probability of occurring by chance.

Table 22

Frequencies of Strength of Partial Correlations Between Board Members’ Responses for
Twelve Policy Governance Behaviors

Correlations	N	Percentage
.601 to .700	6	9.1%
.501 to .600	17	25.8%
.401 to .500	17	25.8%
.301 to .400	18	27.2%
.201 to .300	7	10.6%
less than .200	1	1.5%
Total	66	100%

The two correlation matrixes provide evidence that board members’ Policy Governance behaviors are strongly correlated. When controlling for the length of time operating under Policy Governance, only one correlation did not achieve statistical significance at the 0.01 level. As Carver recommends, when board members practice some of the behaviors incorporated in the model they tend to practice others as well, but there is weaker evidence that they view the model as an integrated whole and practice all of the behaviors.

Analysis of Hypothesis 4

The fourth hypothesis states:

- H4 Boards with 15 or more members will score lower on indicators of Policy Governance behavior than boards with less than 15 members.

This analysis was conducted at the organizational level. A new dependent variable was constructed that represented the means of board members' scores on the 12 Policy Governance items by organization (PGORGMN). This aggregate measure of board members' mean scores by organization was used for all organization-level analysis. The chairperson of each board of directors in the sample was asked to specify the number of members on the board. This variable was recoded where 0 = boards of directors with less than 15 members, and 1 = boards with 15 or more members. An ANOVA procedure with PGORGMN as the dependent variable and BDSIZE2 as the independent variable resulted in an F statistic of .780, significance .384, indicating no significant difference in mean scores of Policy Governance behavior between organizations with boards greater than or less than 15 members. Thus, hypothesis 4 is rejected: there is no evidence that members of larger boards (> 15 members) score lower on indicators of Policy Governance than members of boards with less than 15 members.

The following hypotheses explore relationships between contextual variables that have been identified in the literature as potential influences on board development processes and the implementation of Policy Governance behaviors (PGORGMN). Some of the hypotheses are stated in the null form as the direction of the relationship could not be predicted in terms of implementation of the Policy Governance model. Prior research on the relationship of the contextual variable to board performance, anecdotal evidence from boards of directors that have implemented Policy Governance, and findings from a previous survey of trainer-consultants who teach the model to nonprofit boards (Brudney and Nobbie) guided determination of the direction of the remaining hypotheses.

Analysis of Hypotheses 5a-h

Hypothesis 5a states:

H5a The greater the number of paid staff in a nonprofit organization, the greater the level of implementation of the Policy Governance model.

This hypothesis proposes that a positive relationship exists between the number of full time and part time employees and the level of implementation of the Policy Governance model. The hypothesis is based in part on data collected in a study of trainer-consultants, 41% of whom responded that “many paid staff” would have a positive effect on implementation of the model (Brudney and Nobbie, in press). The number of full time and part time employees was provided by the CEO of each Policy Governance organization, so that for this analysis, $N = 26$. Across the organizations in the sample, the number of full time employees ranged from 1 to 4100; the number of part-time employees ranged from 1 to 2500. Three separate employee variables were constructed; total full time employees (FTE) as reported by the CEO, total part time employees (PTE), and an aggregate variable, FTE/PTE (the sum of full time employees and part time employees).

As would be expected, FTE, PTE, and the combined variable, FTEPTE were highly correlated (FTE and FTE/PTE, $r = (.981, p > .0001)$; PTE and FTE/PTE, $r = (.958, p > .0001)$). Therefore, the aggregate variable FTE/PTE was employed to test the hypothesis. The relationship between the employment variable FTE/PTE and the measure of Policy Governance implementation (PGORGMN) is positive but weak and non-significant ($r = .079, p < .700$). The null hypothesis should be accepted in this case: it appears that the number of paid staff members does not positively impact implementation of the Policy Governance model in diverse nonprofit organizations to a significant degree.

Hypothesis 5b

Hypothesis 5b states:

- H5b The greater the number of volunteers in a nonprofit organization, the greater the level of implementation of the Policy Governance model.

Chief Executive Officers provided the number of full time and part time volunteers, which were combined to one variable, FTPTVOL; for this analysis, $N = 27$. The Pearson's r correlation indicating the degree of relationship between implementation of the Policy Governance model and the number of full time and part time volunteers is .214. Although this relationship is positive as predicted, it is not statistically significant ($p < .283$). Therefore, the null hypothesis must again be accepted.

Hypothesis 5c

Hypothesis 5c states:

- H5c The older an organization, the lower the level of implementation of the Policy Governance model.

This hypothesis proposes that a negative relationship exists between the age of an organization and implementation of the Policy Governance model. Some observers have proposed that older organizations have a more difficult time making the paradigm shift that implementation of the Policy Governance model requires. If older organizations have been operating in the traditional board paradigm, their governance habits may be contrary to Policy Governance, making change more challenging. Analysis of this hypothesis is based in part on survey and anecdotal evidence from a study of consultants who teach Policy Governance (Brudney and Nobbie, in press). The study found that over half (56.1%) of the trainer-consultants felt that the newness of an organization (defined as less than 2 years old) would positively influence implementation of Policy Governance. Oliver (1999) states, "In theory at least, a brand-new organization might find the practice of Policy Governance easier, because the organization lacks the baggage of old habits and practices, but we have insufficient evidence to make that assertion definitive" (p. 14).

Data on the age of the organization was supplied by the board chairpersons. Twenty-nine chairpersons provided this information. The age of the organizations varied from 4 years to 136 years, with a mean age of 48 years.

The Pearson's r correlation between the mean of Policy Governance Implementation (PGORGMN) and the number of years an organization has been in existence (AGEYRS) is .079, $p < .684$. Therefore, the null hypothesis should be accepted. Based on these data, the age of an organization is not negatively related to the degree of implementation of the Policy Governance model in diverse nonprofit organizations.

Hypothesis 5d

Hypothesis 5d states:

H5d The greater the number of hours the board has been trained in the Policy Governance Model, the greater the degree of implementation of the model in nonprofit organizations.

Policy Governance is not easy to implement. Carver (1991, 1997) and Oliver (1999) have stated that boards need to prepare to implement the model by studying it, reading relevant books and materials, sharing information on the model with other board members, and making a commitment on paper to implement the model. Hypothesis 5d proposes a positive relationship between the number of hours of training the board has received in Policy Governance and the degree of implementation of the model.

The data for this analysis were gleaned from several questions on the board member implementation survey and the chairperson's survey. From the sample of 243 board member respondents, 220 individuals responded to the item, "Approximately how many hours of training have you had in Policy Governance?" The hours of training in Policy Governance ranged from 0 to 200 and the mean number of training hours per board member is 23.80. However, the standard deviation is 28.40, indicating wide variation in the number of hours of training.

Board members were asked to indicate the type of training they had received in Policy Governance from a list of several training options. Table 23 presents the

distribution of responses.

Table 23
Frequency of Use of Policy Governance Training Options

Training Option	N	Percentage*
Read Carver's Books or Guides	204	84.0%
Participated in board retreat	145	59.7
Carver consultant provided training	121	49.8
Another board member trained me	58	23.9
The CEO trained me	44	18.1
Attended 2-day Carver board training	40	16.5
Attended week long Carver Academy	7	2.9
Received no training	9	3.7
Other	60	24.7
N	243	

Note: Board members could mark more than one response, so percentages sum to more than 100.0.

Board members who marked "other" for this item included the following examples of the training received: "introductory overview training provided by board;" "attended one day seminar conducted by John Carver;" "participated in an 8 week on-line course/discussion group focused on the Policy Governance model;" "interactive computer program;" "video;" "get Carver Newsletter;" "training at regular board meetings;" "attended presentation by John Carver;" and "conference presentation."

Additional measures of boards' experience with Policy Governance training were taken. First, the chairperson's questionnaire asked, "How long has it been since the initial training in Policy Governance?" Twenty-seven chairpersons provided this information. As shown in Table 24, for 75% of the boards, more than 2 years had elapsed since the initial training in Policy Governance. The second measure related to

training asked, “Since the initial training in Policy Governance, has the board received further training

Table 24

Frequency of Responses; Length of Time Lapsed Since Initial Training

q7

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 7-12 mos	1	3.7	3.7	3.7
13-18 mos	1	3.7	3.7	7.4
18-24 mos	4	14.8	14.8	22.2
2-3 years	7	25.9	25.9	48.1
4-5 years	7	25.9	25.9	74.1
more than 5 years	7	25.9	25.9	100.0
Total	27	100.0	100.0	

in the model?” Twenty-four chairpersons or 92.3% indicated that the board had received further training in the model. Only two chairpersons or 7.7% indicated their boards had not received further training in the model. The prevalence of further training across the boards may be an indication of the complexity of the Policy Governance model.

The number of hours of training provided to each board member was summed by organization. The statistics for the number of hours of training per board varied widely, but it is notable that the total training hours in 11 boards of directors totaled more than 200 hours, and 5 boards had more than 300 total hours of training. The range in total hours in the sample of 32 boards was from 2 hours to 574 hours. The mean number of total hours of training for the 32 organizations in the sample was 171 hours.

Finally, the board member implementation questionnaire surveyed board members’ opinions on the usefulness of training in Policy Governance: “How useful was the training you received toward enabling you to become a fully participating member of a Policy Governance Board?” The response scale ranged from “Not at all useful” to “Extremely useful” and included the response “NA/ No training.” The mean response to this item was 3.81 (SD=1.05), indicating board members felt their training had been

“moderately useful” to “very useful” on average. The analysis of frequencies for this item revealed that 99 respondents, or 43% felt their training was “very useful” toward enabling them to become a fully participating member of a Policy Governance board. Fifty board members (21%) indicated that training was “extremely useful.” Only 4 board members (less than 2%) indicated that training was “Not at all useful.”

In summary, the average board member in the sample had received 23 hours of training in Policy Governance; the majority of the board members have read Carver’s books and guides (85%), attended a board retreat (60%), and been trained by a consultant (50%). For approximately 75% of the board members, it has been more than 2 years since the board participated in the initial training in Policy Governance, and over 90% of the chairpersons indicated that their boards had experienced further training in Policy Governance since the initial training. Finally, board members expressed that training was “moderately” to “very” useful in enabling them to fully participate in a Policy Governance board. Overall, board members appear adequately trained in Policy Governance and feel their training is useful for operating under this model.

Is there a relationship between the number of hours of board member training in Policy Governance and the level of implementation of the model? This relationship was tested at the individual and organizational level. First, board members’ mean scores for the 12 Policy Governance behaviors (PGMEAN) was correlated with the number of hours of training each board member stated they had received. The correlation is $r = .197$, ($p < .002$), statistically significant at $p > .002$. Second, the mean implementation of Policy Governance behaviors by board (PGORGMN) were correlated with the variable HRSMEAN, the mean number of hours of training by board. These two variables are correlated at $r = .239$, ($p < .187$), indicating a weak relationship between the mean hours of training a board of directors has received and the mean level of implementation of Policy Governance behaviors in each board.

Hypothesis 5d gains support in these data. A statistically significant relationship exists between the number of hours of training in Policy Governance and the level of

implementation of Policy Governance in individual members of the boards of directors in this sample. The correlation between the mean hours of training by board and the mean implementation of Policy Governance by board is slightly greater ($r=.239$) but is not statistically significant.

Hypothesis 5e

Hypothesis 5e states:

H5e Boards that use a planning committee to assist with implementation of the Policy Governance model will score higher on indicators of that model than boards that did not use such a committee.

Oliver (1999) noted in her study of 11 Policy Governance organizations that several boards used planning committees to assist in the implementation process. The data used to test this hypothesis emanate from the board Chairperson's response to a list of practices recommended by Carver for implementing the model (Carver, 1997). If the chairperson did not return an implementation survey, the responses of all the board members to the items on the checklist were examined. Only if 100% of the board members responded affirmatively were the data for the planning committee item utilized.²⁵ The item was scored [1] if a respondent indicated a planning committee was used, and [0] if not.

The means of Policy Governance implementation behavior (PGMEAN) for the two categories, use of a planning committee and non-use, were calculated. The chairpersons of twenty boards indicated they had not used a planning committee to help the board implement Policy Governance; eight boards indicated they had used one. The mean score of Policy Governance implementation behaviors for the boards not using a

²⁵The planning committee item was scored 1/0. If the number of board members selecting the item matched the number of board members responding to the survey, then the board was considered to have used a planning committee. If some members indicated the board had used a planning committee and others indicated the board had not, the organization was omitted from this analysis.

planning committee was 4.191 (SD=.3398); the mean value of Policy Governance implementation behaviors for boards utilizing a planning committee was 4.121 (SD=.3213). A one-way analysis of variance indicated no significant difference between means of the group of boards employing a planning committee compared to the group that did not employ a planning committee (F ratio = .248; $p < .622$). Thus, hypothesis 5e is rejected. There is no difference in mean scores on implementation indicators of Policy Governance behaviors between boards in the sample that utilized planning committees versus boards that did not.

Hypothesis 5f

Hypothesis 5f states:

H5f Boards that use a consultant to assist with implementation of the Policy Governance model will score higher on indicators of that model than boards that did not use a consultant.

Carver offers a week-long training Academy that over one hundred consultants have attended. Most of these individuals train boards in Policy Governance and provide expertise in implementing the model (Brudney and Nobbie, in press). Carver does not necessarily promote the use of consultants, asserting that they are only useful if they are firmly grounded in the model and can keep the board focused during the process of implementation (Carver and Carver, 1997).

The data for this analysis were provided by the board chairpersons. If the chairperson's response was not available, a unanimous response to the questionnaire item by board members was used instead. In this sample, 18 board chairpersons indicated the board had used a consultant during the Policy Governance implementation process, and 10 chairpersons indicated they had not used a consultant. The mean values of Policy Governance behavior for the two groups were nearly identical; 4.175 (SD=.3322) for the boards using a consultant and 4.162 (SD=.3443) for the boards not using a consultant. The one-way analysis of variance procedure produced an F ratio indicating there was no significant difference between the mean scores of Policy Governance behaviors of boards

of directors that used a consultant to facilitate the implementation process versus boards of directors that did not ($F = .010, p < .921$).

On the basis of this analysis, Hypothesis 5f is rejected. It does not appear that the mean scores of Policy Governance behaviors differ between boards that employed a consultant to facilitate the Policy Governance implementation process versus boards that did not.

Hypothesis 5g

Hypothesis 5g states:

H5g The greater the annual revenue of the organization, the
 greater the level of implementation of Policy Governance.

The organizational revenue data for this analysis were derived from the Chairperson's questionnaire. When necessary, Canadian dollars were converted to American dollars by multiplying by the exchange rate of .685. The estimated annual revenue for these organizations ranged from a low of \$250,000 to a high of \$367,750,000. The mean was \$37,000,000. The variable ANNUREV is the dollar amount estimated by the Chairperson.

Pearson's r correlation between the organizational means of Policy Governance implementation and the stated annual revenue of the organization is .138 ($p < .483$). Although the relationship is positive, it is not significant. Therefore, the null hypothesis must be accepted. The amount of annual revenue is not significantly related to the degree of implementation of the Policy Governance model in this sample of nonprofit organizations.

Hypothesis 5h

Hypothesis 5h states:

H5h The longer a board has been operating under the Policy Governance
 model, the greater the degree of implementation of the model.

The chairperson of each organization was asked to provide the month and year when the board "formally adopted the Policy Governance model." The variable

PGMONTHS was calculated by counting the months from the date provided to October, 2000, when the majority of the questionnaires were received. The N for this analysis was 29. Pearson's r summarizes the relationship between the number of months the board had operated under the Policy Governance model and PGORGMN, the organization-level measure of the degree of implementation of the model. Results indicate a modest positive relationship, significant at the .07 level ($r=.343$, $p<.068$). There is modest support for Hypothesis 5h—there appears to be a relationship between the length of time a board has operated under the Policy Governance model and the degree of implementation of the model.

Analysis of Hypothesis 6

The final hypothesis for this portion of the analysis is

H6 Board members, CEOs and board chairpersons in boards
 that implemented the Policy Governance model
 will report significant improvements in board performance.

For this analysis, data were gathered from three groups of respondents-- board members, board chairpersons and CEOs. The questionnaire item for each group read: "On a scale of 1 to 9, where [1] means "Worsened Greatly," [5] means "Remained the Same," and [9] means "Improved Greatly," would you say that since adopting the Policy Governance model, the way *the board of directors of this organization* performs its duties has worsened, remained the same or improved?" (italics in questionnaire). Descriptive statistics for each respondent group are provided in Table 25.

Table 25
Descriptive Analysis for Q52 with Three Respondent Groups

Sample	N	Minimum	Maximum	Mean	S.D.
CEOs	26	3.00	9.00	7.84	1.31
Chairpersons	24	5.00	9.00	7.79	1.17
Board members	192	1.00	9.00	7.42	1.50

Note: Individuals who were not board members before implementation of Policy Governance model did not respond to this question. Q52 stated, ““On a scale of 1 to 9, where [1] means “Worsened Greatly,” [5] means “Remained the Same,” and [9] means “Improved Greatly,” would you say that since adopting the Policy Governance model, the way *the board of directors of this organization* performs its duties has worsened, remained the same or improved?”

As can be seen in Table 25, CEOs’ perceptions that the board of directors improved in the way it performs its duty are strongest, followed by the chairpersons’ perceptions and finally, board members’ perceptions. Board members’ perceptions reflect greater variability as well. The mean responses for all three respondent groups measure between 7 and 8 on the scale, which can be interpreted to mean that, on average, the three groups of respondents perceive that the performance of the boards of directors for their organizations has improved since the boards adopted the Policy Governance model (“improved” to “greatly improved”).

Pearson’s r correlation analysis examined the relationship between board members’ perceptions of improvement in the board’s performance (Q52) to their assessment of the level of implementation of the Policy Governance model in their boards (PGMEAN). A listwise reduction of data excluded non-respondents to both Q52 and the twelve Policy Governance behavior implementation items. This analysis represents the relationship between all board members who assessed their boards’ behaviors, and also assessed their perception of whether the board’s performance had improved as a result of implementing Policy Governance. The result of the Pearson’s r correlation is .368 ($p < .000$). Thus, on the individual level it appears there is a strong

relationship between implementation of the Policy Governance model and board member's perceptions of improvement in their board's performance.

Pearson's r correlation was calculated between the mean implementation scores and mean board performance change scores at the organizational level (PGORGMN and Q52ORG). At the organizational level, the results are even more robust. The Pearson's r correlation is .543 ($p < .001$).

The CEOs' and Chairpersons' perceptions of improvement in the board's performance related to the level of implementation of the Policy Governance model at the organization level (PGORGMN) was also tested. The correlations and significance levels are reported in Table 26. Listwise deletion of variables was selected, so that comparisons could be made between Chairpersons and CEOs from the same organizations.

As can be observed in Table 26, the relationship between the board members' perceptions of change in board performance and the level of implementation of the Policy Governance model is the strongest ($r = .543$, $p = .01$). The relationship between chairpersons' perceptions of improvement in board performance and level of Policy Governance implementation is weaker ($r = .319$) and non-significant—but this relationship has a smaller N ($N = 24$). The relationship between CEOs' perception of improvement in board performance and the level of Policy Governance implementation is a modest one, ($r = .334$), significant at the 0.10 level.

CEOs' and Chairpersons' perceptions of improvement in board performance following implementation of the model are also strongly related to board members' perceptions of improvement in performance. The correlation between CEO and board members' perceptions of improvement in board performance was .402, significant at the 0.05 level. The relationship between chairpersons' and board members' perceptions of improvement in board performance was correlated at .798, significant at the 0.01 level--

Table 26

Relationship between Policy Governance Implementation Level and Board Member,
Chairperson and CEO Perception of Change in Board Performance

		PGORG MN	Q52ORG	Q52CEO
PGORG MN	Pearson Correlation Sig. (2-tailed)	---		
Q52ORG	Pearson Correlation Sig. (2-tailed) N	.543** .001 32	--- 	
Q52CEO	Pearson Correlation Sig. (2-tailed) N	.334 .096 26	.402* .042 26	---
Q52CHAIR	Pearson Correlation Sig. (2-tailed) N	.319 .129 24	.798** .000 24	.021 .927 21

Notes: **Correlation is significant at the 0.01 level (2-tailed). *Correlation is significant at the 0.05 level (2-tailed).

however, it must be noted that Chairpersons' responses are also included in the board member sample, and this overlapping accounts for a portion of the strength of this correlation.

The strength of the relationship between board members' perceptions of change in board performance and the level of Policy Governance implementation could be explained by board members' and Chairpersons' level of engagement in actual implementation of the Policy Governance model, their role in assessing progress in implementation, and their understanding of how the practice of Policy Governance behaviors influences the performance of the board. Board members and Chairpersons also have a more intimate knowledge of changes that occur in the board, whereas CEOs are more removed from specific changes in board behavior. CEOs may detect improvements in board performance since the board creates the policies that limit their actions and guide assessment of their job performance, and a better performing board

may produce more functional policies. However, it is more tenuous that CEOs would connect these changes in performance directly to changes in behavior that occurred within individual members of the board, or to changes in the board's behavior as a unit.

The results presented here, that a stronger relationship exists between board members' stated behaviors and their perception of improvement in the performance of the board than between board members' implementation behaviors and CEOs' perceptions of improvement in board performance stands in contrast to other studies of the link between board behavior and board or organizational performance. In Green and Griesinger's 1996 study of 16 nonprofit organizations that serve adults with developmental disabilities, the correlation between overall board performance scores and organizational effectiveness measures was stronger for the CEO-reported data than for board members' self-reports. The researchers surmised that the CEOs in their study were in a better position than individual board members "to assess the diverse contributions of entire boards (1996, p. 399). However, Green and Griesinger also note that board members reported high levels of reliance on their CEOs "to such an extent that in many instances, some abdication of responsibility was apparent" (1996, p. 398). CEOs were the gatekeepers of the organizations, with the ability to set agendas and control the amount and type of information that flowed to board members. Reliance on CEOs for these aspects of organization functioning may place them in a position to perceive and assess board behavior. In contrast, CEOs in Policy Governance organizations are not involved in board functions, but instead manage the organization under board-designed policies that limit their actions, and otherwise grant them discretion to pursue activities that will fulfill the organization's ends. The weaker relationship between individuals' board practice behaviors, and CEOs' perception of the improvement in board performance is an appropriate reflection of the nature of the CEO-board relationship in an organization governed by Policy Governance.

In another study of the relationship between board performance and board effectiveness that considered the views of multiple stakeholders, (Herman, Renz and

Heimovics, 1997) CEOs judgements and the judgements of other stakeholders on board effectiveness did not greatly agree ($r=.32$, $p<.005$). The researchers noted that boards that used more of the prescribed board practices (as measured by the Self-Assessment for Nonprofit Governing Boards, Slesinger, 1991) were judged by the CEOs to be more effective. However, since CEOs indicated the practices boards used, and then rated their effectiveness, the researchers noted the possibility that “same source” data may have enhanced the relationship between the presence of certain board practices and CEO’s judgements of board effectiveness (Herman, Renz and Heimovics, 1997). The assumption that the CEO is the better informant on board practice and performance must be re-examined within the Policy Governance paradigm. For the organizations in this study, board members were the primary respondents on their behavior. A percentage of them recorded differences between behaviors they exhibited before adoption of Policy Governance and after. They distinguish between Policy Governance and traditional- type behaviors with great consistency. And they present evidence of a stronger relationship between characteristics of Policy Governance in board behavior and the performance of their boards than their CEOs present.

CEO’s may have enhanced expectations for the board’s governance behavior if they are invested in the organization’s process of adopting the model. CEO’s were given a questionnaire item that asked, “To what extent does the Policy Governance model meet your expectations for board performance?” Across all CEO’s who responded to the survey, 78.6% indicated that the model met their expectations to a “great extent” or “very great extent.” The CEO’s responses to this item were correlated with the Policy Governance behaviors implementation mean; the result was a strong $r=.493$ relationship ($p<0.01$ significance). Thus, a strong relationship between the extent to which board members say they implement the Policy Governance model and the extent to which CEOs feel the model meets their expectations for performance of the board can tentatively be inferred.

The perception of board members that there was a change in performance may also be affected by the length of time they had been operating under the Policy Governance model. To determine if more experience with the model affected the relationship between the mean score of Policy Governance behavior and board members' perception of improvement in the board's performance, a partial correlation was calculated between PGORGMN and Q52ORG, controlling for the length of time the board had been operating under the Policy Governance model (MONTHSPG). This procedure resulted in a correlation coefficient of .541, ($p < .0003$) which lends support to the hypothesis.

Based on these analyses, hypothesis 6 can be accepted. It appears that board members and CEOs perceive improvement in their board's performance after adoption of the Policy Governance model to a significant degree, and, to a smaller degree, board chairpersons perceive improvement as well. Although the partial correlation results are not significantly stronger than the bivariate results, there is a relationship between Policy Governance implementation and board members' perception of improved board performance controlling for the number of months the board has been operating under the model. There is a strong relationship between board members' perceptions of the Policy Governance behaviors they practice and their assessment of improvement in the performance of the board.

Summary

Chapter 5 tested 12 hypotheses addressing the first two research questions of this study: 1) Is there a difference in board practices before and after adoption of the Policy Governance model? Is the model adopted similarly in boards from diverse sectors of the nonprofit arena? 2) Do board members perceive a difference in their board's performance from before adoption of the model to after adoption? The data utilized to test these hypotheses were gathered from responses to questionnaires distributed to board members, chairpersons and chief executive officers of 32 nonprofit organizations in the United States and Canada operating under the Policy Governance model. The

organizations were classified into 7 categories of the National Taxonomy of Exempt Entities Nonprofit Classification scheme: Education; Environment; Health, Human Services; Public-Societal Benefit; Religion; and Unclassified (Unknown). The board members, CEOs and board chairpersons seemed to be demographically representative of the population of board members, CEOs and board chairpersons in nonprofit organizations nationwide (National Center for Nonprofit Boards, 1999).

Analysis of the hypothesis pertaining to the first research question tentatively supported a difference in board practices before adoption of the model to after adoption. The difference between mean scores of questionnaire items representing practice of Policy Governance behaviors and mean scores representing traditional board behaviors indicates that board members practice more Policy Governance behaviors than traditional behaviors, and that board members do distinguish between Policy Governance behaviors and more traditional behaviors to a significant degree. In addition, evidence from the 75% rule (individuals who were board members prior to adoption of the Policy Governance model indicated whether they had practiced a particular behavior “75% of the time prior to adopting Policy Governance”), combined with the observed mean differences between Policy Governance and traditional board behavior suggests that board members shifted from traditional behaviors to behaviors associated with the model after the board adopted Policy Governance.

Board members from many different types of organizations consistently indicate that they practice Policy Governance behaviors a greater percentage of the time than traditional behaviors. In addition, they practiced traditional behaviors prior to adopting the model to a greater degree than they practiced Policy Governance-related behaviors. Their responses to the Policy Governance items and the traditional items are negatively correlated, indicating the two sets of behaviors are not related.

Written comments on the questionnaires support the observation that board members are aware of how they have shifted their board practices. Some respondents commented on the discipline the model imposes. One individual responded, “The one

thing I really like about the model is the discipline it encourages and requires of board members in carrying out their responsibilities. I have been on many boards, and Carver works well in this regard.” Another states, “Learning the model has been challenging; however, I believe the efforts have been worthwhile and certainly rewarding. I would encourage all boards to utilize the model because more can be accomplished, and individual agendas are decreased as the board focuses on the goals, mission and vision of the organization.” A third writes, “This is the first time I have been involved in the Carver model application. It has really changed my views of board roles and productivity.”

Other respondents make note of how board-staff roles changed after adopting the model. One respondent writes:

“When I first became a board member, the board had its hands on EVERYTHING! (Emphasis in original) including discipline of staff. Board was fractured since everything was done in committees. Our meetings were to simply report committee decisions and approval was made without really having full knowledge and understanding. Carver is wonderful. This is the best board I have sat on - I stay because I am involved and not just filling a chair!”

Another respondent comments, “I initially had some reservation about how the system works but after seeing how the staff functions now as compared to the past and the results we achieve, those are gone.” A third comments, “I have also worked as a staff member for a board which adopted Policy Governance and appreciated the improvement in relationship between staff and board, especially the clarification of roles.” A chairperson adds, “Carver is important to help board members act as board members, not as staff.”

Finally, board members allude to the connection between adopting Policy Governance and better performance. A chairperson comments, “We’ve been identified as a vanguard college in part because of the board’s self-monitoring, institutional monitoring and use of stakeholder input. [Policy] Governance model helped this happen.” Another board member writes, “I was instrumental in the board adopting

Policy Governance. [I have been off the board for 5-6 years] As a recipient of the newsletter and follower of the activities of the association, I am very impressed by the freedom Policy Governance has given it and the outstanding ends it has decided on and implemented.” Even board members whose comments indicate that they have reservations about continuing to operate under Policy Governance, or see difficulties adapting the model to address their organization’s particular situations, acknowledge that adopting the model produced changes in how the organization functions.

The second part of research question one asks whether the type of organization as categorized in the Nonprofit Classification Scheme affects the degree of implementation. Analysis of variance procedures reveal that two types of organizations stand out in implementation—Religion and Public Societal Benefit. The religious organization reveals significantly lower means in four key principles of the model; ends; ownership; future directing behavior and CEO-board role division, while the Public-societal benefit organization display significantly higher mean scores in these areas. These results are preliminary due to the small (N) of this analysis. The differences however, encourage further research. Carver asserts that the model works well in any situation, although “varying types of organizations and circumstances impose idiosyncrasies on the way the model is applied” (Carver and Carver, 1997, p. 4). Carver’s confidence in universal applicability concerns the research community, whose efforts have been directed at studying new types of nonprofit organizations that spring up in response to unique needs and current political and economic situations, and exploring alternate governing practices that might provide a better fit for the new organizational models (Ryan, 1999; Renz, 1999, NCNB/Hauser Research Project; Bradshaw, Stoops, Hayday, Armstrong and Rykert, 1998). The results from the analysis of variance of organizational type (different mission categories), although tentative, provide limited evidence that implementation of the model is not uniform across all organizational types.

In addition, particular concepts in the Policy Governance model produce more variance in implementation than others. For example, implementation of practices

addressing identification of ownership, and defining the role of the CEO, the board, and their relationship, vary significantly across the organizations. The concept of “ownership” and the nature of the CEO-board relationship are key components in the Policy Governance model. At a minimum, the results indicate that boards need to pay particular attention to their unique missions and responsibilities when they undertake the shift to Policy Governance.

The data analysis also shows that board members tend to implement several of the components associated with the model as Carver would suggest. However, all components are not implemented to the same extent. The model requires a discipline and rigor for full adoption that may be beyond the capacity of some boards, and anecdotal evidence from consultants (Brudney and Nobbie, in press) and Carver intimate that some boards probably implement those parts of the model with which they are more comfortable or require less change. The correlation analysis of twelve different behaviors associated with the model indicates that board members’ mean scores for twelve Policy Governance behaviors are positively correlated, and strongly so when controlling for the amount of time they had been operating under the model. In the correlation matrix of twelve Policy Governance behavioral indicators, only three relationships did not achieve significance at the .001 significance level, and only one relationship was non-significant. The correlation coefficients ranged from .226 to .678. The analysis provides evidence that the board members in this sample of organizations appear to implement most of the behaviors associated with the model. However, this analysis does not support that board members practice Policy Governance as a fully integrated model.

Hypothesis 4 tested the relationship of board size (number of members on the board of directors) to the level of implementation of Policy Governance. The difference between boards with less than 15 members and boards of directors with 15 or more members was non-significant. Several studies provided evidence that larger board size (more than 15 members) negatively affected board performance (Bradshaw, Murray, and Wolpin, 1992; Chitayat, 1980; Houle, 1997). Anecdotal evidence from a study of eleven

organizations whose boards adopted the Policy Governance model suggested that implementing Policy Governance in boards with more than 15 members jeopardized members' enthusiasm, and required greater discipline and attention to the implementation process (Oliver, 1999). Evidence to support the hypothesis was also derived from a study of trainer-consultants who teach Policy Governance to nonprofit boards (Brudney and Nobbie, in press). In the study, 65.9% of the responding trainer-consultants perceived that boards with more than 15 members had a negative effect on the ability of the organization to implement Policy Governance. However, the data analyzed for the present study suggest that boards of directors with more than 15 members do not score lower on the Policy Governance behavioral indicators than boards with fewer than 15 members.

A number of the hypotheses tested above related to contextual variables thought to affect the performance of boards of directors and organizations. Table 27 summarizes the results of statistical test of these hypotheses.

The hypothesized effects of contextual factors were gleaned from the literature on board governance and its relationship to board performance and organizational effectiveness. The factors—number of paid staff, number of volunteers, organizational age, amount of training, use of a consultant or planning committee to facilitate board change, annual revenue—had not previously been tested in reference to organizations that adopt Policy Governance, but had been shown to affect efforts to develop the board (Brudney and Murray, 1998 ; Brudney and Nobbie, in press); affect board performance (Herman, Renz and Heimovics, 1997; Cook and Brown, 1990; Murray, Bradshaw and Wolpin, 1992) and affect organizational effectiveness (Smith and Shen, 1996; Siciliano, 1997; Green and Griesinger, 1996).

Table 27

Summary of Results of Hypothesis Testing: Contextual Variables

Hypothesis	Contextual Variable	Results
H5a	The greater the number of paid staff, the greater the level of implementation of Policy Governance.	Not supported: Relationship is positive but not significant
H5b	The greater the number of volunteers, the greater the level of implementation of Policy Governance.	Not supported: Relationship is positive but not significant
H5c	The older the organization, the lower the level of implementation of Policy Governance.	Not supported
H5d	The greater the number of hours the board has been trained in Policy Governance, the greater the level of implementation of the model.	Supported; $p < 0.002$
H5e	Boards that use a planning committee to assist with implementation of the Policy Governance model will score higher on indicators of that model than boards that did not use such a committee.	Not supported
H5f	Boards that use a consultant to assist with implementation of the Policy Governance model will score higher on indicators of that model than boards that did not use a consultant.	Not supported
H5g	The greater the annual revenue in nonprofit organizations, the greater the level of implementation of Policy Governance.	Not supported
H5h	The longer a board has been operating under Policy Governance, the greater the level of implementation of the model.	Supported: $p < 0.10$

In terms of Policy Governance implementation, few of the contextual factors were determined to have significant impact. The numbers of paid staff and volunteers were positively related to level of implementation, but not significantly. Older organizations in the sample did not have lower implementation scores as had been hypothesized. The use of a planning committee or consultant also had no significant effect on the level of implementation of the model. Oliver (1999) provided support for the use of a structure to guide the board through the implementation process, but for these organizations the use

of a planning committee was not significantly related to the level of implementation. Carver recommends consultants to help the board do the work of implementation only if they are thoroughly versed in the model (Carver and Carver, 1997, p. 8). In this sample of organizations however, use of a consultant did not differentiate the level of implementation.

These results offer some further support for Carver's contention that Policy Governance can work in all organizations. None of the contextual factors discussed here that have positively or negatively affected board development, performance or organizational effectiveness in other studies had a significant effect on implementation of Policy Governance in the organizations in the study sample.

By contrast, two hypotheses were supported. First, there is a relationship between the number of hours of training the board members have received and the degree to which the Policy Governance model is implemented. The Policy Governance model is complex, and Carver strongly asserts that familiarity with the model is a necessary prerequisite before the board begins the implementation process. It appears from this analysis that the investment boards make in training hours is worthwhile in terms of greater levels of implementation of Policy Governance practices. Training and implementation levels were significantly correlated at both the individual level and the organizational level of analysis. Therefore it appears that training rewards board members with greater understanding of the model, and provides benefits for the organization in terms of overall implementation of the model. The second hypothesis supported was the relationship between the amount of time the board has been operating under the model and the level of implementation. This result appears to suggest that board members acquire skill in performing as a Policy Governance board, and that they maintain Policy Governance practices over time.

The final hypothesis in this chapter tested whether board members, board chairpersons and CEOs perceive an improvement in the performance of their boards of directors after adoption of the Policy Governance model. The results of a survey item

assessing the extent to which respondents perceive change in the board's performance indicated that 84.9% of board members, 92.3% of CEOs and 91.7% of Chairpersons felt that the board's performance "improved" to "improved greatly" (Respondents scored between 7 and 9 on a 9 point scale). The strongest relationship existed between the degree of implementation of the Policy Governance model and the board members' perception of improvement in the performance of the board of directors since adoption of the model. CEOs and Chairpersons also perceive improvement in the board's performance, although the relationship between implementation and improvement in board performance was not as strong.

The next chapter examines hypotheses related to the Policy Governance model and organizational effectiveness. Data from CEOs of organizations practicing the Policy Governance model measuring five different scales of organizational effectiveness--goal achievement, resource acquisition, internal processes, job satisfaction and CEO job performance--will be tested against the measure of implementation of the Policy Governance model. Following these analyses, data from the CEOs of two comparison control groups--309 randomly selected nonprofit organizations, and 26 nonprofit organizations that were trained by the National Center for Nonprofit Boards--will be tested against the results from the Policy Governance CEOs. The purpose of the control groups is to observe whether there is a difference between the effectiveness of organizations operating under Policy Governance compared to the effectiveness of randomly selected nonprofit organizations, and organizations trained under a different type of board development model.

CHAPTER 6

EVALUATING EFFECTIVENESS IN NONPROFIT ORGANIZATIONS

Chapter 6 presents the results of hypothesis testing related to the third and fourth major research questions of this study: 3) Is there a relationship between the degree of implementation of the Policy Governance model and the perceived effectiveness of the nonprofit organization? and 4) Is there a difference in the effectiveness of nonprofit organizations whose boards are using the Policy Governance model compared to a random sample of nonprofit organizations whose boards are using other models of board practice, and compared to a third sample of organizations that have received board development training from the National Center for Nonprofit Boards? Hypotheses addressing the third research question explore the relationship between Policy Governance practices and organization effectiveness in the organizations that have stated they are operating under the model, here called the “experimental sample.” For the experimental sample, five frameworks of organizational effectiveness are examined: goal achievement, financial position and resource acquisition, internal processes, job satisfaction, and CEO performance. CEOs are the primary respondents providing data to test the hypotheses, although for some analyses board members’ and chairpersons’ responses also provide the necessary data.

The final research question for this study examines the differences between organizational effectiveness of the Policy Governance organizations compared to two control samples. The first control group is a stratified random sample of nonprofit organizations drawn from the National Center for Charitable Statistics database. The second control group is composed of organizations that received board development

training from the National Center for Nonprofit boards. For each control sample, organizational effectiveness was examined within four frameworks; goal achievement, financial position and resource acquisition, internal processes, and job satisfaction. For both samples, CEOs were the only respondents.

In this chapter, a description of the CEO respondents for the Policy Governance organizations is first presented. The data analyses for hypotheses 7 through 12 testing organizational effectiveness of the Policy Governance organizations in the five effectiveness frameworks follow. Next, the group of CEO respondents for the nonprofit organizations in the randomly selected control group is described, followed by the profile of the CEOs in the NCNB control group. Finally, hypotheses 13 through 17, addressing organizational effectiveness of the control groups compared to the Policy Governance group are presented and tested.

Experimental Sample: CEO Respondents

Table 28 presents the demographic characteristics of the CEO respondents of the Policy Governance organizations.

Table 28

Demographic Characteristics of CEO respondents: Policy Governance Organizations*

	Male	Female		
Gender	58.6%	41.4%		
	American	Canadian		
Nationality	69%	31%		
	Caucasian	African American	Asian/Other	No response
Race	89.7%	0%	3.4%	6.9%

*N=29

On average, the sample of CEOs had held this position for 8 years and 4 months (range: 1 to 27 years). The CEOs responded to a survey item asking, “In the past five years, how many different CEOs have been employed by this organization?” Nineteen of

the 29 CEOs (65.5%) indicated they had been the only CEO in the past five years.

The CEOs were presented with several questions regarding the amount and type of training they had received in the Policy Governance model. On average, CEOs indicated they had received 48 hours of training in Policy Governance. However, there was a wide range in the sample, from 0 hours to 240 hours ($SD=49.20$). CEOs had received training in several ways. Table 29 displays the frequencies of the types of training CEOs of Policy Governance organizations had received.

Table 29

Types of Training in Policy Governance: Frequency of Use

Training or Preparation	Frequency of Utilization
Read Carver's books or guides	96.6%
Participated in board retreat	75.9%
Carver consultant provided training	72.4%
Attended two-day board training	31.0%
Attended week-long Carver Academy	20.7%
Attended two-day CEO training	13.8%
Another board member trained me	3.4%

Note: $N=29$. Frequencies sum to more than 100% because CEO respondents could choose more than one response.

Almost all of the CEOs confirmed that they had prepared for adopting the Policy Governance model by studying Carver's publications. Notable also among the CEO respondents is the prevalent use of a consultant to help them prepare for implementation of Policy Governance. In addition, three-quarters of the CEOs marked that they participated in board retreats related to Policy Governance. Far fewer CEOs (13.8%, or 4) marked the option describing the two-day Carver training that is designed for

addressing issues that CEOs face in managing an organization governed by Policy Governance principles.

More than half of the CEOs (51.7%) felt the training they had received was “extremely useful” toward enabling them to become an effective CEO of an organization governed by the Policy Governance model, and another 27.6% indicated that the training was “very useful.” Finally, 75.9% of the CEOs signified that either they or the board had received further training in Policy Governance since implementing the model; 55.2% of the CEOs stated that the board had received the training, and 20.7% of the CEOs stated they had received the training.

In summary, more than half of the CEOs in the sample had been the only CEO of the organization in the last five years. On average, they had received a fairly substantial amount of training (approximately 48 hours), although there was wide variation in the number of hours of training. Twenty-eight of twenty-nine CEOs used Carver’s publications to learn about the model, followed by participation in board retreats (22 CEOs), and use of consultants (21 CEOs). Most CEOs stated that the training was extremely useful in enabling them to successfully manage an organization guided by Policy Governance principles. Twenty percent of the CEOs had received further training in the model since implementation.

The following section presents the statistical analyses regarding the hypotheses pertaining to the third research question. The relationship between each framework of organizational effectiveness and the level of implementation of Policy Governance behaviors is tested. Following those analyses, the relationship between each framework of effectiveness and a measure of the performance of the board as perceived by CEOs and board members is tested.

Analysis of Hypothesis 7

The seventh hypothesis, which pertains to the third research question, states:

H7 The higher board members’ mean scores on Policy Governance behavior items on the implementation survey,

the greater the scores of the Chief Executive Officers, chairs, and board members of the same organizations on items measuring goal achievement.

Three survey items assess the extent to which implementation of the Policy Governance model impacted the ability of the organization to realize its goals. The first item was included on the organizational effectiveness survey to which CEOs from Policy Governance organizations responded. The item read: “How successful do you feel the organization is in achieving the ends the board has established?” On this survey instrument, “goals” were embodied in the term “ends.” In the Policy Governance model, the “ends” refers to “the effect an organization seeks to have on the world outside itself” (Carver and Carver, 1997, p. 135). Ends embrace results (impact, change, benefit), recipients (identity or characteristics of consumers) and cost (expense, relative worth, or relative priority) of some recipients rather than others to receive the benefits or results. CEOs in Policy Governance organizations should be familiar with “ends” terminology since the board would have developed ends policies to drive the CEO’s actions. The CEO’s primary charge is to accomplish the ends of the organization without violating the CEO limitations policies established by the board.

CEOs rated their perceptions of the organization’s success in achieving the ends established by the board members on a five-point scale from “no extent” to “very great extent.” The mean score of the 28 CEOs responding to this item was 3.89, indicating that on average, the CEOs of Policy Governance organizations felt that the organization was successful in achieving the ends the board had established to a “great extent.” Of the 28 CEOs responding to this item, 67.8% indicated that the organization was successful in achieving the ends the board had established to a “great” or “very great” extent.

The strength of relationship between the degree of implementation of the Policy Governance model at the organization level and CEOs’ perception of the extent to which the organization is successful at achieving the ends established by the board was tested with Pearson’s r correlation. The correlation between the variables PGORGMN (board

members' Policy Governance implementation behavior at the organizational level) and CEOGOAL (the mean CEO response to survey item 40 on the Policy Governance CEO questionnaire) is .232 ($p < 0.235$). Therefore it would appear that the level of implementation of Policy Governance behaviors is only weakly and not significantly related to CEOs' perceptions of the extent to which their organizations are successful in achieving the goals established by the board.

CEOs responded to a second survey item on the Policy Governance CEO questionnaire related to goal achievement, which stated, "On a scale of 1 to 9 where [1] means 'worsened greatly,' [5] means 'remained the same,' and [9] means 'improved greatly,' would you say that over the past five years, the performance of the organization in attempting to meet its goals has worsened, remained the same, or improved?" The mean score on this item for the sample of CEOs is 7.68, which suggests that on average, CEOs felt that the performance of the organization in attempting to meet its goals has improved over the past five years. Moreover, 89.2% of the CEO respondents selected points 7, 8 or 9 (46.4% selected point 8 on the nine point scale), demonstrating that the majority of CEOs felt that the performance of their organization in attempting to meet its goals had greatly improved. The correlation coefficient between this item and the CEOGOAL item utilized in the first analysis is .645, ($p < 0.01$), evidence that to the extent CEOs expressed positive perceptions of the organizations' ability to achieve its goals on one survey item, they were likely to express positive perceptions of the improvement of the organization toward attempting to meet its goals on the second survey item. However, CEOs' perceptions of the improved ability of the organization to achieve its goals as measured with this survey item is less strongly related to the level of implementation of Policy Governance behaviors than in the previous analysis. Here, the Pearson's r correlation is .157 ($p < .425$).

In sum, it appears that only a weak relationship may exist between the level of implementation of Policy Governance behaviors perceived by board members and CEOs' perceptions of effectiveness of the organization in terms of goal or "ends" achievement.

The next analysis sought to discover whether other informants perceive a relationship between the implementation level of Policy Governance behavior and effectiveness in terms of goal achievement. The analysis explored the relationship between the level of Policy Governance implementation and either chairpersons' or board members' perceptions of improvement in goal achievement in the organization.

Board members responded to the identical nine-point scale survey item that was presented to the CEOs. The mean score for the item (Q53ORG) for the sample of board members of Policy Governance organizations is 7.308 (S.D. 1.087), a lower mean score on the item than for the sample of CEOs. However, Pearson's r correlation revealed a stronger relationship between the level of Policy Governance implementation behavior and board members' perceptions of whether the ability of the organization to achieve its goals had improved over the past five years. The correlation coefficient between PGORGMN (implementation behavior) and Q53ORG (improvement in achieving goals) is .543 ($p < .001$).

The strength of this relationship may be partially explained by the fact that the same respondents (board members) provided the data for the implementation measure and the goal achievement measure. It is possible that after board members rated themselves highly on the extent to which they practice Policy Governance behaviors, they rated the improvement of the performance of the organization in attempting to meet its goals since the adoption of Policy Governance as high. This type of "common source" influence on the strength of relationship between two measures was noted by Herman, Renz and Heimovics (1997) who described a similar occurrence between the judgements of CEOs on board practices and board effectiveness. They state, "[CEOs] may have discerned that their reports on the use of board practices 'should' be consistent with their judgments of their boards' effectiveness, leading to an artificially high correlation between the two variables" (p. 382).

The relationship between the board chairpersons' perceptions of the success of the organization in goal achievement and the level of implementation of Policy

Governance was tested. Chairpersons responded to a questionnaire item similar to the item for CEOs: “Since adopting the Policy Governance model, how successful is the organization in achieving the goals the board has established for it?” The five-point scale ranged from “Not at all successful” [1] to “Extremely successful” [5]. The mean of the chairpersons’ responses to the item is 3.82 (SD=.77) (28 chairpersons responding). The correlation coefficient between chairperson perception of the success of the organization in terms of goal achievement and the mean of board members’ scores on the Policy Governance implementation behavior items is .228 ($p < .244$). It appears there is a weak, non-significant relationship between the level of implementation of Policy Governance behavior (as perceived by board members) and chairperson’s perception of the ability of the organization to achieve its goals.

In summary, hypothesis 7 is partially supported. There exists a strong and significant relationship between board members’ mean Policy Governance behavior implementation scores and their perception of the improvement of the organization to meet its goals. However, there is no significant relationship between the measure of Policy Governance behavior implementation at the organization level (PGORGMN) and either CEOs’ or chairpersons’ perceptions of the ability of the organization to meet its goals.

Analysis of Hypothesis 8

Hypothesis 8 states:

H8 The greater board members’ mean scores on the board behavior implementation scale, the more positive the trend of the revenue to expenditures ratio over a five year period.

The data to test this hypothesis derive from the CEO questionnaire. CEOs were asked to supply the gross revenue and expenditures figures for the organization for each year from 1995 to 1999. The item stated, “For the past five years, please provide: A) The total revenue for the organization, including grants, donation, and all income; B) The total organization expenditures for the same year.” Canadian dollars were converted to

American dollars using the exchange rate as of October, 2000, when the majority of the questionnaires were received. The exchange rate at that time was .685. The total N for these items is 24. Five CEOs did not provide financial data.

Determining if adoption of the Policy Governance model had an effect on the revenue to expenditures ratio during the five year period, and in turn, if changes in the ratios were related to level of implementation of the model necessitated identifying the Policy Governance organizations that had actually adopted the model during the time period for which financial data were provided. In fifteen organizations, the board's adoption of Policy Governance during the five year period represented an intervention that potentially affected the revenue to expenditures ratios. For these organizations, the first year (1995) revenues to expenditures ratio represented pre-adoption financial data, and the revenue to expenditures ratio for the last year (1999) represented post-adoption financial data. In the remaining nine organizations, the boards had implemented the model before the period of time for which the CEO submitted the revenue and expenditures data. For this group, the impact of an intervention could not be determined. Therefore analysis is focused on that group of Policy Governance organizations for which a valid comparison can be made between pre-adoption financial standing and post-adoption financial standing.

Once all figures were converted to dollars U.S., a ratio of revenue to expenditures was constructed for each year. To determine if there was a relationship between the level of implementation of the Policy Governance model and the trend of revenue to expenditures over a five year period, the ratio between the financial measures for year 1 (1995) were subtracted from the ratio for year 5 (1999). The difference between the two ratios was correlated with the organization level implementation variable, PGORGMN. The results of the Pearson's analysis were $r=.202$, $\text{significance}=.470$, a weak relationship that is also not significant. Based on this analysis, it cannot be supported that there is a relationship between level of implementation of the Policy Governance model and a positive trend of revenue to expenditures.

To determine if there was a significant difference between the pre-adoption financial ratio and post-adoption financial ratio, a one-sample t-test was employed. First year (1995) and last year (1999) ratios of revenue to expenditures from the Policy Governance organizations that had adopted the model between 1995 and 1999 were utilized. The mean of the 1995 revenue to expenditures ratios, reflecting pre-intervention conditions, was set as the test value against which the mean of the 1999 or post-intervention ratios were compared. The test value functions as the known mean of the revenue to expenditures ratios for the organizations in 1995. Table 30 presents the means and standard deviations for the 1995 and 1999 revenues to expenditures ratios for the organizations where implementation of Policy Governance intervened.

Table 30

Means and Standard Deviations for Policy Governance Organizations

Sample	1995 Ratio		1999 Ratio	
Adopted Policy Governance between 95 and 99	Mean	1.0048	Mean	1.0050
	N	15	N	15
	SD	4.450E-02	SD	4.146E-02

Figure 15 displays the results of the t-test for the organizations that experienced the Policy Governance intervention between 1995 and 1999. Results from this analysis demonstrate no significant difference between pre-adoption revenue to expenditures ratios and post-adoption revenue to expenditures ratios. There is no evidence in this group of organizations that adoption of the model influenced trends in this ratio to a significant degree.

One-Sample Test

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	Test Value = 1.0048					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
RATIO99	.017	14	.987	1.785E-04	-2.28E-02	2.314E-02

Figure 15: One-sample t-test for organizations that had adopted the Policy Governance model at some point between 1995 and 1999 (n=15). Test Value is mean revenue to expenditures ratio for 1995, the pre-intervention year.

In the interest of observing whether long term operation of the Policy Governance model yields results on these measures different from the analyses presented above, a second set of correlation and one sample t-test analyses were conducted on data from the organizations that had been operating under Policy Governance during the entire five year period from which financial data were solicited. The correlation between the Policy Governance implementation variable, PGORGMN, and the difference between 1999 and 1995 revenue to expenditures ratios was $-.132$ ($p < .735$). The test value for the one-sample t-test was set at the value of the mean ratio for 1995 (1.0313). Figure 16 presents the results of the one-sample t-test for the group of nine organizations that had been operating under the model before 1995.

One-Sample Test

	Test Value = 1.0313					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
RATIO99	.934	8	.378	3.265E-02	-4.79E-02	.1132

Figure 16: One-sample t-test with organizations that have been operating under Policy Governance in 1995 or prior (N=9). Test value is the mean revenue to expenditures ratio for the first year of financial data, 1995.

As can be seen in the figure, the t-score is less than 1.000 and the statistic is not significant. For Policy Governance organizations that had been operating under the

model for all five years for which financial data were solicited, the mean of the 1999 revenue to expenditures ratio is not significantly different from the mean of the 1995 revenue to expenditures ratio. Length of operation of the model appears to have no influence on the relationship between implementation of the model and trend of revenue to expenditures ratios, or on the difference between first year and last year revenue to expenditures measures. On the basis of these analyses, hypothesis 8 is not supported.

Analysis of Hypothesis 9

Hypothesis 9 states:

- H9 The greater board members' mean scores on the board behavior implementation scale, the greater the mean score of the Chief Executive Officers of the same organizations on an item assessing resource acquisition.

Data for this analysis were gathered from an item on the CEO questionnaire. Executive officers were asked, "In the past five years, to what extent has your organization been able to acquire the resources it needs from the external environment?" Response options comprise a five-point scale from "no extent" to "very great extent." The CEOs' mean response for the item is 3.26 (SD=1.23). Apparently, CEOs feel their organizations can acquire the resources needed only to a moderate extent. The frequency distribution reveals that 40.7% of the CEOs (11 of 27) expressed that the organization acquires needed resources to "some" or a "moderate" extent. Only 4 CEOs indicated that their organization can acquire resources to a "very great extent."

To determine if the level of implementation of Policy Governance behaviors is related to CEOs' perceptions that the organization is effective at acquiring resources from the environment, Pearson's r correlation was calculated between PGORGMN, the level of implementation of Policy Governance behaviors among board members, and the dependent variable, RESACQUI, the mean score of CEOs' perceptions of the ability of the organization to acquire needed resources. The resulting r is .192 ($p < .338$), a weak,

non-significant relationship between implementation and perception of CEOs of the ability of the organization to acquire resources. Hypothesis 9 is not supported.

Analysis of Hypothesis 10

Hypothesis 10 states:

H10 The greater board members' mean scores on the board behavior items on the Policy Governance implementation survey, the higher the mean responses of the CEOs on items measuring internal processes.

The data for this analysis were derived from CEOs' responses to nine items representing different aspects of the internal processes of an organization, such as flow of communication, board self-assessment, assessment of the organization, information management, and others. Table 31 reports the questionnaire items and the corresponding mean score for the CEOs.

The item with the highest mean and relatively small standard deviation (Q26) in Table 31 reflects a distinct Policy Governance practice. CEOs' actions are limited by the board in the executive limitations policies, and beyond those limitations, CEOs have discretion to make reasonable interpretations of the board's policies as long as they do not violate the limitations imposed on them. The position, authority and responsibilities of the CEO are shifted from a prescribed job description to being "responsible to ensure that the organization as a whole (1) accomplishes expectations as set out by the board in its ends policies and (2) does not engage in the means which the board has prohibited in its executive limitations policies" (Carver, 1996, p. 19). The mean score for the CEOs demonstrates that to a "great" or "very great" extent, CEOs perceive they are allowed to make reasonable interpretations of the board's policies. The responses to survey item Q27 reveal that CEOs perceive that board members keep out of day to day management concerns. This perception corresponds with the response to the first item. It is possible that to the extent CEOs can exercise discretion to operate within a reasonable interpretation of policy, board members feel less inclined to interfere in organizational

operations-- in turn, CEOs perceive board members keep out of day-to-day management.

Table 31

Internal Process Items: Mean Scores for CEOs of Policy Governance Organizations

		Scale				
		1 Not to any extent	2 Some extent	3 Moderate extent	4 Great extent	5 Very great extent
Questionnaire Item						Mean SD
Q26	To what extent are you allowed to make reasonable interpretations of the board's policies?					4.39 .69
Q27	To what extent do board members keep out of day to day management concerns?					4.24 1.06
Q25	To what extent does the board give instructions only to the CEO and not to other staff or volunteers?					4.21 .86
Q31	To what extent do you have the information you need to effectively manage the organization?					4.21 .68
Q24	To what extent does your board speak with one voice to the outside world despite internal disagreements?					4.10 1.05
Q32	To what extent is your board satisfied with the reports you provide to the board in line with their requests?					4.00 .76
Q30	To what extent is the organization able to maintain its performance level during changes in board membership, chairpersons, and/or executive directors?					3.86 .74
Q29	To what extent does the board assess the performance of the organization toward accomplishing its ends?					3.31 .97
Q28	To what extent does the board assess its own performance?					2.93 .98

Source: Organizational Performance Survey, CEO, Policy Governance Organizations.
N=29.

The item with the lowest mean response from the CEOs is, "To what extent does the board assess its own performance?" The response reflects that CEOs perceive board

self-assessment does not occur even to a moderate extent ($M=2.93$, $SD=.98$). Carver states that “the simplest and most useful tool boards have to keep them on track is frequent and rigorous self-evaluation” (Carver, 1997, p. 1). Self-evaluation encompasses the “board’s accomplishment of intended outputs” and “the board’s ability to stick to its own rules” (Carver, 1997, p. 7). Carver provides three important reasons that board conduct requires diligent self-monitoring: group conduct versus individual conduct is a constant source of tension on boards of directors, requiring steady oversight of the balance; boards must learn to govern themselves before they can govern others; and other people (staff, public, membership) depend on the board’s style of governance and look to the board for stability and consistency (1997, p.7). Despite these justifications for the importance of board self-assessment, the CEO responses reveal that they perceive this assessment occurs only to a moderate extent.

The next analysis examines the relationship between the mean level of implementation of Policy Governance behavior among board members and CEOs’ assessments of organization performance in terms of internal processes. An index of the internal process items was constructed by summing the scores on the items and dividing by nine providing a mean score for each CEO on the internal process scale. The variable PGORGMN (organizational level means of Policy Governance implementation behaviors) was correlated with CEOs’ mean scores for the 9 item scale representing internal processes (INTPRMN). The resulting correlation coefficient is .398 ($p<0.05$). There is a significant relationship between the level of implementation of Policy Governance behaviors and the extent of the performance of internal processes (effective division of roles, adequacy of information, etc.) as perceived by CEOs. On the basis of these results, hypothesis 10 is supported.

Analysis of Hypothesis 11

Hypothesis 11 states:

H11 The greater board members' mean scores on board behavior items on the Policy Governance implementation survey, the greater the Chief Executive Officer's mean responses on job satisfaction items.

The data to test hypothesis 11 derive from the Organizational Performance Questionnaire completed by chief executive officers of Policy Governance organizations. Ten questionnaire items addressed CEO job satisfaction. Table 32 presents the CEOs' mean scores for each item. CEOs appear to be highly satisfied with several Policy Governance practices: the amount of authority and responsibility delegated to them by the board; the opportunities they have to do creative work in programs and services; and the discretion they have to deal with problems. CEOs' responses reveal that overall, they are "very" to "extremely satisfied" with their jobs. Two other indicators with means above 4.00 indicate that CEOs are "very satisfied" with the opportunity they have to do creative work in terms of management and structure, and with the delegation of responsibilities between them and the chairperson of the board.

The lowest mean score (item Q19) corresponds to an item querying whether CEOs feel the board is knowledgeable about the performance of the organization. The mean for this indicator is 3.64 (SD=.95), suggesting that CEOs are neither satisfied nor dissatisfied with this aspect of board functioning. A related item concerning whether CEOs are satisfied with procedures the board uses to monitor their performance also resulted in a more neutral response on the five-point scale. In the Policy Governance model, these two practices are related. CEOs have a central position between the board's direction and the organization's performance. It is their job to inform the board of what they have accomplished toward fulfilling the ends established by the board without violating the limitations on means. It is the responsibility of the board to monitor the

Table 32

Job Satisfaction Indicators:Mean Scores of CEOs of Policy Governance Organizations

		<u>Scale</u>				
		1 Very dissatisfied	2 Moderately dissatisfied	3 Neither satisfied nor dissatisfied	4 Very satisfied	5 Extremely satisfied
Item						Mean SD
Q17	How satisfied are you with the amount of authority and responsibility outlined for you by the board?					4.48 .63
Q22	How satisfied are you with the opportunities you have to do creative work in terms of programs and services?					4.48 .78
Q20	Overall, how satisfied are you with the work you are doing for this organization?					4.48 .57
Q21	How satisfied are you with the discretion you have to deal with problems in your own way?					4.44 .85
Q23	How satisfied are you with the opportunities you have to do creative work in terms of management and structure?					4.39 .69
Q16	How satisfied are you with the delegation of responsibility between you and the chairperson of the board?					4.29 .85
Q15	How satisfied are you with the organization's ends policies?					3.90 .98
Q14	How satisfied are you with the way your board operates?					3.86 .88
Q18	How satisfied are you with the procedures the board uses to monitor your performance?					3.83 .76
Q19	How satisfied are you that the board is knowledgeable about the performance of the organization?					3.64 .95

Source: Organizational Performance Questionnaire, CEOs of Policy Governance Organizations.

performance of the CEO on the basis of information provided to the board regarding CEOs' accomplishments toward fulfilling ends policies without violating the restrictions on the means. It would be difficult for the board to conduct an informed evaluation of the CEO's performance if board members were not knowledgeable of the performance of

the organization. Carver writes that the performance of the organization and the performance of the CEO are one and the same. “Evaluation of one is evaluation of the other, and accountability is gravely damaged when the two are viewed differently” (Carver, 1990, p. 124). Based on their responses to the items, it appears CEOs are less satisfied with these two aspects of monitoring performance. The relationship between the level of implementation of Policy Governance behaviors among board members and the level of job satisfaction of the CEOs was tested with correlation analysis between PGORGMN, the organization-level variable representing board members Policy Governance implementation behavior, and JOBSAT, the mean scores of CEOs on the ten-item scale representing job satisfaction. The result was a correlation coefficient of .443 ($p < .016$). The results show a statistically significant relationship between the implementation level of the Policy Governance model and the level of job satisfaction of CEOs working in Policy Governance organizations. Hypothesis 11 is supported.

Analysis of Hypothesis 12

Hypothesis 12 states:

H12 The greater board members’ mean scores on board behavior items on the Policy Governance implementation survey, the higher the rating of the performance of the CEO as indicated by the chair of the board of the organization.

The data for this analysis derive from a questionnaire item posed to the chairpersons of the Policy Governance organizations. Chairpersons were asked, “As the chairperson of the board, how would you rate the performance of your CEO in terms of his/her ability to work toward the goals of the organization without violating the organization’s policies?” The scale of response alternatives ranged from [1] “Not at all effective” to [5] “Extremely effective.” The mean response for this sample is 4.32 ($SD = .723$), suggesting that, on average, chairpersons feel their CEOs perform in a very to extremely effective manner. Fully 85.7% of the chairperson respondents selected either

4 or 5 on the scale--46.4% selected 5, evidence that most chairpersons feel their CEOs are extremely effective at working toward the goals established by the board without violating organization policies.

The relationship between the chairpersons' assessments of CEO performance and the level of implementation of Policy Governance behaviors on the part of the board was evaluated by correlation analysis performed between the implementation variable, PGORG MN and the CEO performance variable, CEO PERF. The result is a weak, non-significant correlation coefficient of .167 ($p < .394$). Based on this result, hypothesis 12 must be rejected. There is no significant relationship between the level of Policy Governance implementation behaviors on the part of board members and the board chairpersons' assessments of the performance of the CEO.

Relationship Between the Effectiveness Variables and Assessments of Board Performance

The previous section described hypothesis testing between the level of Policy Governance implementation behaviors and five frameworks of organizational effectiveness: goal achievement, financial standing and resource acquisition, internal processes, CEO job satisfaction and CEO performance. The framework for assessing the Policy Governance model presented in Chapter 3 considers that perceptions of board performance may also be related to perceptions of organizational effectiveness. To determine the strength of relationship between perceptions of board performance and the five organizational effectiveness frameworks, a correlation matrix was constructed that allows examination of the relationships between measures of board performance and the five measures of organizational effectiveness. Measures of board performance were gathered from two sets of respondents - board members of Policy Governance organizations (Q52ORG) and CEOs of Policy Governance organizations (Q52CEO). Table 33 presents the correlation matrix for these variables.

performance of the board has improved since adopting Policy Governance (Q52CEO) is strongly correlated to the internal process measure ($r=.686$, $p<0.01$) and the job satisfaction measure ($r=.534$, $p<0.01$). These two scales are also modestly correlated (.309 coefficient for internal processes; .289 coefficient for job satisfaction) with board members' perceptions of improvement in board performance (Q52ORG), but the

Table 33

Correlation Matrix: Board Performance Variables with Indicators of
Five Organizational Effectiveness Frameworks

Variables	Q52 CEO	Q52ORG
Q52CEO ^a	---	
Q52ORG ^a	.402*	---
Q53ORG ^b	.393*	.922**
Q53CEO ^b	.416*	.337
CEOGOAL ^b	.346	.209
CHGOAL19 ^b	.237	.514**
INTPROMN ^c	.686**	.309
JOBSAT ^d	.534**	.289
RESACQUI ^e	.362	.028
CEOPERF ^f	-.015	.403*

Note: ^aBoard performance variables; ^bGoal achievement variables; ^cInternal Processes; ^dJob Satisfaction; ^eResource Acquisition; ^fCEO Performance. * $p<0.05$; ** $p<0.01$

relationships are not significant. Board members' perceptions of the improvement of board performance since adoption of Policy Governance (Q52ORG) is strongly related to chairpersons' perceptions of the ability of the organization to accomplish its goals since adopting Policy Governance ($r=.514$, $p<0.01$). Further discussion of these results follows.

Summary

Table 34 summarizes the results of the hypothesis testing for the 6 hypotheses discussed in this section.

Table 34
Summary of Hypotheses Tested and Results

Hypothesis	Result
H7: The greater board members' mean scores on Policy Governance behavior items on the implementation survey, the greater the scores of the Chief Executive Officers, chairs, and board members of the same organizations on items measuring goal achievement.	Partially supported: PGORGMN and board assessment of goal achievement, $r=.543$, $p<.001$
H8: The greater board members' mean scores on the board behavior implementation scale, the more positive the trend of the revenue to expenditures ratio over a five year period.	Not supported
H9: The greater board members' mean scores on the board behavior implementation scale, the greater the mean score of the Chief Executive Officers of the same organizations on an item assessing resource acquisition.	Positive but not significant
H10: The greater board members' mean scores on board behavior items on the Policy Governance implementation survey, the higher the mean responses of the CEO on items measuring internal processes.	Supported: $r=.398$, $p<0.05$
H11: The greater board members' mean scores on board behavior items on the Policy Governance implementation survey, the greater the Chief Executive Officer's mean responses on job satisfaction items.	Supported: $r=.443$, $p<0.05$
H12: The greater board members' mean scores on board behavior items on the Policy Governance implementation survey, the higher the rating of the performance of the CEO as indicated by the chair of the board of the organization.	Positive but not significant

Discussion

The first part of this chapter presented analyses to test relationships between implementation of the Policy Governance model and five frameworks of organizational

effectiveness. Few studies focus on connections between efforts to change or develop board governance and any results with respect to organizational performance (Brudney and Murray, 1998; Holland and Jackson, 1998)-- although Renz asserts that “board development does make a difference in board and organizational performance” (Renz, 1999, p. 21). Many areas of board and organizational performance relationships still need to be explored, and among these, Renz specifically mentions “the effectiveness of the Policy Governance approach” (p. 21).

Board development efforts represent a commitment of time and resources on the part of a nonprofit organization, and as such, the impact of those efforts on the performance of the organization merits study. Policy Governance is not easy to implement. Anecdotal information provided by consultants trained to teach Policy Governance (Brudney and Nobbie, in press) as well as from board members, chairpersons and CEOs who participated in this study suggest that training and familiarity with the model is necessary, and when boards are well-trained, Policy Governance works better. Carver’s (1996) primary recommendation for successfully implementing Policy Governance is ensuring that board members and the CEO understand the model. He argues that the full governance “transformation” will not occur until a board “fully grasps the ideas and philosophy of this new technology of governance” (Carver, 1996, p. 21). In light of the perspectives gleaned from trainer-consultants (Brudney and Nobbie, in press), and recognizing that the effectiveness of the model could not be evaluated without first knowing how well Policy Governance had actually been implemented, this study sought to determine the extent to which each organization had adopted behaviors associated with the Policy Governance model. The results presented in Chapter 5 reveal that board members who participated in this study perceive that they practice Policy Governance behaviors to a great extent, and that to the extent they practice one behavior associated with the model, they are likely to practice all.

The next phase of analysis sought to determine whether the extent of Policy Governance implementation bore a relationship to five frameworks of organizational effectiveness: goal achievement, financial standing and resources acquisition; internal processes, job satisfaction, and CEO performance.

In terms of goal achievement, board members' perceptions of the extent to which they had implemented Policy Governance behaviors and their perception of the extent to which the performance of the organization in attempting to meet its goals had improved in the past five years are significantly related ($r=.543$, $p<0.05$). However, the relationship between the identical measure of goal achievement rated by the CEOs of the organizations and the level of Policy Governance implementation did not yield a significant result, although the mean rating for the CEOs on the measure was higher than the mean rating by the board members. This result could be due to a connection in board members' minds that the behaviors they practice are related to the outcome of improvement in achieving goals. For the CEOs, this outcome may be conceived in a more narrow way. They are charged with achieving certain goals of the organization, and they perform the activities necessary to fulfill that charge. How the results of those efforts are connected with the board's implementation of a governance model may be tenuous at best, and may be explained by Carver's position on the role of the CEO. The board's relationship with the CEO is formed around the accountability of the position; as a result the CEO is accountable for organization performance (Carver, 1997, p. 5). However, Carver adds, "The effective board relationship with an executive is one that recognizes that job products of board and executive are truly separate. Effectiveness calls for two strong, totally different responsibilities" (Carver, 1997, p. 9). The board is in charge of its governance processes; the CEO is in charge of accomplishing ends without violating the limitations on means. This separation of responsibility may account for the lack of relationship between board members' behaviors and CEO's perceptions of improvement in goal achievement, an area within CEO purview.

Several studies use financial indicators to assess effectiveness relationships (Holland and Jackson, 1998; Brudney and Murray, 1998); development of appropriate methodology to do so is ongoing (Greenlee and Bukovinski, 1998). Yet, analysis of financial data is only as good as the raw data provided. For this analysis, there was a small number of cases (N=24), and not every organization provided precise revenue and expenditures information to enable meaningful analysis (for example, several organizations put the same figure for revenue and expenditures and some provided rounded numbers). Use of a more specific ratio (for example, percentage of funds allocated to board development activities compared to gross revenue) may produce a more interpretable result. These limitations will be further explored in the final chapter.

The weak relationship between level of implementation of Policy Governance behavior and CEOs' perceptions of the ability of the organization to acquire needed resources may also be explained by the separation of accountability described above. CEOs possess awareness of the economic status of their organizations (Gronbjerg, 1991), but this awareness does not appear to be statistically related to how thoroughly board members have adopted Policy Governance behavior.

The next two analyses do yield significant relationships between the level of implementation of the Policy Governance model in the board of directors and effectiveness measures. CEOs' perceptions of the extent to which internal process behaviors are practiced are significantly related to the extent that Policy Governance is implemented. The items in the index describe internal organization practices, and each practice reflects the philosophy of Policy Governance. For example, internal processes rated by the CEOs as being performed to a great extent directly impact the CEO's management experience. On average, practices such as being "allowed to make reasonable interpretations of the board's policies;" "Board members keep out of day to day management concerns;" and "The board gives instructions only to the CEO and not to other staff or volunteers" were practiced to a "great" or "very great" extent. If board

members were not practicing these Policy Governance behaviors to any great extent, the CEO would experience that deficiency personally and directly. In sum, the level of implementation of the Policy Governance model appears to have a conceptual and logical relationship with CEOs' perceptions of the extent of internal process behavior, which is also supported statistically.

A similar interpretation may be applied to the observed relationship between the level of Policy Governance implementation and the level of CEO job satisfaction ($r=.443$, $p<0.05$). Again, CEOs rated satisfaction indicators very highly that were reflective of specific board practices. For example, they were satisfied with "the amount of authority and responsibility outlined by the board;" "the amount of discretion" provided;" and "the delegation of responsibilities between the Chairperson and CEO." These indicators reflect conditions that would have been outlined in policy by boards of directors that had successfully implemented Policy Governance. In addition, CEOs' expressed support for the model (in the comment section on the surveys) intimates their satisfaction working under its guidelines. For example, one commented, "We have our marching orders, and we pursue our goals. The net result is a far more productive organization." Others said, "Policy Governance has made a huge difference in our organization - and in most of the ones I am familiar with." "This has proven to be an excellent model of board governance for us." "For all the effort that is required to conscientiously and honestly apply the model, it is still better than the alternative - traditional governance." Several CEOs also commented that training and continuous board education regarding the model facilitates their job.

The final analysis concerned the relationship between the level of implementation of the model and the chairperson's assessment of the performance of the CEO. This relationship was positive but not significant. The chairpersons' responses indicated that they feel their CEOs are "very" to "extremely effective" in their ability to work toward the goals of the organization without violating the organization's policies. However, their

assessment of CEO performance appears unrelated to how well the board practices Policy Governance behavior.

How conscientiously boards of directors evaluate their CEOs is in part reflective of how thoroughly they have implemented the model, since they are directed to check actual performance of the CEO against board established criteria for expectations in established ends and means limitations policies. However, one CEO expressed dissatisfaction with the process board members used to monitor his or her performance, characterizing it as “lazy,” using the “traditional approach” and “useless.” Further research should inquire into reasons why board members may neglect this governance responsibility.

The final section of the chapter presented the analyses of the relationship between measures of board performance and the effectiveness frameworks. Other studies have tried to establish the relationship between board effectiveness and organizational effectiveness (Smith and Shen, 1996; Cook and Brown, 1990; Bradshaw, Murray, Wolpin, 1992; Green and Griesinger, 1996; Herman, Renz and Heimovics, 1997). In a special 1999 issue of the New England Nonprofit Quarterly, Renz reports that “the academic world is catching up with the practitioner world in establishing the connection between board effectiveness and organizational effectiveness” (1999, p. 20). He reviews some key findings from studies conducted since 1992, summarizing that “there is a clear and important relationship between board effectiveness and nonprofit organizational effectiveness” (1999, p. 21). Data on board performance were solicited from CEOs and board members, and were applied to analyses in Chapter 5 to determine whether greater implementation of the Policy Governance model led to perceptions of improved board performance. In this chapter, the analyses treat board performance as the independent variable to determine its relationship with organizational effectiveness.

CEOs’ and board members’ perceptions of the board’s performance are significantly correlated ($r=.402$, $p<0.05$), indicating a level of agreement between CEOs

and their board members regarding this important variable. The CEO assessment of board performance is related to several variables, including board members' assessment of goal achievement, extent of internal process behavior, and job satisfaction. Board members' assessments of board performance is significantly related to the chairperson's measure of goal achievement and the chairperson's assessment of CEO performance. The results reveal that measures of board performance are related to some organizational effectiveness measures (CEOs' and chairpersons' measures of goal achievement, and chairperson measure of CEO performance) that did not yield significant relationships with the Policy Governance implementation variable. The relationships among implementation of a model, performance of the board, and organizational effectiveness merit further exploration.

Fourth Research Question: Comparative Organizational Effectiveness

This section addresses the fourth research question, "Is there a difference between the effectiveness of nonprofit organizations whose boards are using the Policy Governance model compared to a random sample of nonprofit organizations whose boards are using other models of board practice, and compared to a third sample of organizations that have received board development training from the National Center for Nonprofit Boards?" Four hypotheses are tested to determine whether organizations governed by the Policy Governance model are more effective compared to control groups governed in other ways—nonprofit organizations randomly selected from the National Center for Charitable Statistics, and a group of nonprofit organizations that have received board training and development from the National Center for Nonprofit Boards. The control group organizations are compared to the Policy Governance organizations in four areas of organizational effectiveness: goal achievement, financial position and resource acquisition, internal processes, and job satisfaction. For both control samples, CEOs were the sole respondents.

Profile of CEO Respondents from Random Control Group

As elaborated in Chapter 4, the organizations in the first control group were drawn in a stratified sample by mission category of the National Taxonomy of Exempt Entities. The stratification was constructed to be representative of the types of organizations included in the sample of Policy Governance organizations. For the most part, the responses received from the randomly selected group were proportionally representative of the organizations in the “experimental” Policy Governance sample. However, for the following analyses, data is not differentiated by the NTEE categories. The total N for the stratified random sample is 309. Table 35 presents the demographic characteristics of the CEO respondents from the stratified random sample.

Table 35

Demographic Characteristics of CEO Respondents: Random Sample

	Male	Female	No Response	
Gender	54.7%	44.3%	1.0%	
	American	Canadian	Other	No Response
Nationality	94.8%	.6%	1.0%	3.6%
	Caucasian	African American	Asian/Other	No response
Race	84.5%	4.9%	4.8%	5.8%

Note: N=309. Asian/Other includes Native American, Hispanic, and Other.

This demographic profile is similar to that of the Policy Governance organizations in regard to the proportion of male and female CEOs. The sample has greater percentages of African Americans and Asians, Hispanics, and Native Americans than does the Policy Governance sample. In addition, the CEOs from the random sample are predominantly Americans as the organizations were selected from the National Center for Charitable Statistics database, which is derived from nonprofit organizations in the United States. In comparison, several Policy Governance organizations are located in Canada, since

organizations for the experimental sample were solicited from Dr. Carver's training sessions, in which several Canadian boards and CEOs had participated, and through his newsletter, which is widely distributed in North America.

The average length of time the CEO respondents in the random group had been the executive of their organizations was 10 years, 5 months. Fifty-eight percent of the respondents indicated they had been the only CEO of the organization in the past five years. Nearly twenty-six percent of the CEOs responded that the organization had had two CEOs in the past five years. In comparison, the CEOs of Policy Governance organizations had managed their organizations for 8 years, 4 months on average, and 65% stated they had been the only CEO in the past five years.

CEOs in the control sample organizations were asked, "In the past five years, has your board of directors intentionally or deliberately attempted to change the way it is organized or the way it operates?" If CEOs responded in the affirmative, they were asked if the board had followed a particular board development program or utilized a consultant. Of 309 organizations, 28.2% of the CEOs (N=87) indicated that the board of directors had deliberately attempted change of some kind. Of the development program options presented, only 3 CEOs selected "board development program offered by the United Way"; 6 indicated they had followed the Policy Governance model; 23, or 7.4% signified that they had utilized the services of a consultant; 14 (4.5%) indicated they had followed the training or development of their parent organization or national affiliate; and 49 (15.9%) selected "other." To be safe, data from the organizations that indicated they followed the Policy Governance model were excluded from the following analysis. Although there no opportunity to verify the extent to which those organizations had adopted Policy Governance, the data were removed to avoid contamination of the results.

Profile of CEO Respondents from National Center for Nonprofit Boards Sample

The second control sample used to test the effectiveness of organizations operating under the Policy Governance model compared to organizations whose boards govern

under other models or frameworks is composed of organizations that have participated in board development or training with the National Center for Nonprofit Boards (NCNB). The NCNB provides products, services and research to increase the effectiveness of nonprofit organizations by strengthening their boards of directors. NCNB conducts a board governance development assessment and training exercise with boards of directors and provides consultation to boards interested in improving their functioning and effectiveness. The NCNB provided the researcher with a database of the CEOs of 55 organizations whose boards of directors had participated in an NCNB board development and training exercise since 1996. Twenty-six CEOs responded to the survey sent to the group of 55 CEOs. The demographic characteristics of the sample are presented in Table 36.

Table 36

Demographic Characteristics of CEO Respondents: NCNB Sample

	Male	Female	No Response	
Gender	65.4%	30.8%	3.8%	
	Caucasian	Hispanic	Other	No response
Race	84.6%	7.7%	3.8%	3.8%

Notes: N=26. Nationality was omitted because 100% of the respondents are American.

The NCNB sample has a greater percentage of male respondents than in either the Policy Governance sample or the random sample. In addition, no respondents indicated they were African American or Asian. A greater percentage of the respondents than in either of the other samples designated their race as Hispanic. The CEOs in this sample had served as the executive from one year to 23 years. The mean number of years the CEOs in this sample had been employed by their organizations was 5 years, 4 months. Eight CEOs (30.8%) stated they had been the only CEO in the past five years; 17 or 65% indicated there had been two CEOs in the past five years. In addition to the NCNB board

development, some CEOs responded that they had also experienced United Way board development training or Policy Governance training, had hired a consultant, or received training from their parent organization or national affiliate. Again, for the purposes of this analysis, organizations whose CEOs indicated they followed Policy Governance as a board development strategy (5 organizations) were omitted from the analyses to avoid contamination of the results.

Research Question 4: Comparative Organizational Effectiveness

The fourth research question states,

“Is there a difference between the effectiveness of the nonprofit organizations whose boards have adopted the Policy Governance model compared to a random sample of nonprofit organizations whose boards are using other models of board practice, and compared to a third sample of organizations that have received board development training from the National Center for Nonprofit Boards?”

For each of the following hypotheses, data on the four organizational effectiveness frameworks from organizations in the experimental sample operating under the Policy Governance model are compared with corresponding data from each of the control sample organizations.

Analysis of Hypothesis 13

H13 Hypothesis 13 states:

Organizations that have adopted the Policy Governance board model will score higher on effectiveness as measured by goal achievement compared to a randomly selected sample of nonprofit organizations not using Policy Governance, and a sample of organizations that have received NCNB board development training.

Data used to analyze this research question were derived from two different questionnaire items. The first item inquired of CEOs, “How successful do you feel the organization is in achieving the goals the board has established?” (This item substituted “goals” for the term “ends” used on the Policy Governance Organizational Effectiveness Survey.) A five point response scale ranging from “No extent” to “Very great extent” was provided. The means and standard deviations for the first goal achievement item for the randomly selected control group, the NCNB control group, and the Policy Governance organization experimental group are presented below in Table 37.

Table 37

Means and Standard Deviations for Items Measuring Extent of Goal Achievement:

Experimental and Control Samples

Sample	N	Mean	SD
Policy Governance Organizations	28	3.89	.74
Control Sample 1 (Random)	289	3.83	.88
Control Sample 2 (NCNB)	21	4.05	.59

Note: Possible responses, 1= No Extent to 5= Very Great Extent.

In order to determine whether mean scores on the dependent variables measuring goal achievement differ statistically between samples, the analysis of variance procedure was performed using the questionnaire item for extent of goal achievement as the dependent variable. The first analysis was performed between the responses of the Policy Governance CEOs on the goal achievement item versus the responses to the same item from the CEOs of the NCNB sample. Figure 17 presents the results of analysis of variance between Policy Governance and National Center for Nonprofit Board-trained organizations.

This analysis indicates that the difference in mean scores between the perceived extent of goal achievement in Policy Governance organizations and perceived extent of

goal achievement in organizations whose boards had development or training from the National Center for Nonprofit Boards is not statistically significant.

ANOVA

q37

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	.287	1	.287	.624	.433
Within Groups	21.631	47	.460		
Total	21.918	48			

Figure 17: Analysis of variance between mean extent of goal achievement in Policy Governance organizations and mean extent of goal achievement in the National Center for Nonprofit Boards (NCNB) control sample.

A second analysis of variance of this dependent variable was performed to assess the difference in means between the experimental (Policy Governance) sample and the random control group. The results are presented in Figure 18.

ANOVA

q37

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	9.942E-02	1	9.942E-02	.132	.717
Within Groups	237.371	315	.754		
Total	237.470	316			

Figure 18: Analysis of variance between mean extent of goal achievement in Policy Governance organizations and mean extent of goal achievement in the random control sample.

The results of this analysis of variance procedure demonstrate that there is no significant difference between the extent of goal achievement as perceived by CEOs in Policy Governance organizations and CEOs in the sample of randomly selected nonprofit organizations. On this measure of goal achievement the means between the experimental sample and each of the two control samples do not differ to a statistically significant degree.

The second item employed to assess goal achievement stated, “On a scale of 1 to 9, where [1] means ‘Worsened Greatly,’ [5] means ‘Remained the Same,’ and [9] means ‘Improved Greatly,’ would you say that over the past five years, the performance of this organization in attempting to meet its goals has worsened, remained the same or improved?” The item was identical on the Policy Governance Organizational Performance Survey and the questionnaire sent to both control samples. Mean scores for the three samples are presented below in Table 38.

Table 38

Means and Standard Deviations for Item Measuring Improvement in Meeting Goals:
Experimental and Control Samples

Sample	N	Mean	SD
Policy Governance Organizations	28	7.68	1.19
Control Sample 1 (Random)	290	7.00	1.52
Control Sample 2 (NCNB)	21	7.95	1.02

Analysis of variance was performed with this second item assessing whether CEOs perceived the performance of the organization in attempting to meet its goals had worsened, remained the same or improved. To test the difference between the means of the two samples of organizations that have received different types of board development and training the analysis of variance procedure was performed between the CEO responses from the Policy Governance organizations and the organizations in the NCNB sample. Figure 19 presents the results of the ANOVA procedure.

ANOVA

q39

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	.900	1	.900	.716	.402
Within Groups	59.060	47	1.257		
Total	59.959	48			

Figure 19: Analysis of variance between mean perceptions of improvement in performance of organization in attempting to meet goals in Policy Governance Organizations and NCNB control sample.

The analysis of variance procedure indicates that there is no significant difference between the means of the experimental sample (Policy Governance) and the NCNB control sample. The second analysis of variance procedure was performed between the mean perceptions of improvement in performance of organizations in attempting to meet goals in Policy Governance organizations versus the randomly selected organizations. The same dependent variable was employed. Figure 20 presents the results.

ANOVA

q39

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	11.758	1	11.758	5.262	.022
Within Groups	706.107	316	2.235		
Total	717.865	317			

Figure 20: Analysis of variance between mean perceptions of improvement in performance of organization in attempting to meet goals in Policy Governance Organizations and randomly selected organizations.

The results of this analysis of variance procedure confirm a statistically significant difference between the Policy Governance organizations and the randomly selected organizations in the control group in the mean perception of the performance of the organization in meeting its goals. The difference between the means of the two samples is statistically significant at the 0.05 level.

In summary, Hypothesis 13 is partially supported. For both indicators employed to assess the extent of goal achievement (Q37 and Q39), Policy Governance organizations had higher scores than organizations in the random sample but not as high as the organizations whose boards had participated in board development and training sponsored by the National Center for Nonprofit Boards. Analysis of variance between the sample means for the first goal achievement measure (extent to which CEOs perceived their organizations have been able to achieve their goals) proved to be positive but non-significant for both analyses. The second goal achievement indicator appears to discriminate between organizations to a greater degree. The ANOVA procedure yielded a significant difference between the means of the Policy Governance sample and the randomly selected sample on goal achievement. The difference between the means for the second goal achievement indicator between Policy Governance and NCNB organizations was not significant. It can tentatively be concluded that for the indicator measuring improvement of the performance of the organization in attempting to meet its goals, Policy Governance organizations vary significantly from randomly selected organizations, but vary minimally from organizations whose boards have been trained under the auspices of the NCNB.

The results of the hypothesis testing suggest important distinctions between organizations that conduct board training and development and organizations that do not. Board training however, appears to yield no significant distinctions between the two types of board development programs tested here, Policy Governance and NCNB. Brudney and Murray's (1998) study of intentional board development efforts in Canadian nonprofit organizations and the relationship of those efforts to improved board or organizational outcomes also found that no one model or combination of models was more highly associated with perceived success than any other. The authors propose that perhaps no one model was in fact more successful than another; that different models could have been applied ineptly, thus blurring their distinctions; or that CEOs viewed board development

with a bias toward effectiveness as a reflection of support for the development efforts of their boards.

Analysis of Hypothesis 14

Hypothesis 14 states:

- H14 There is a greater difference between the first year revenue to expenditures ratio (1995) and the last year revenue to expenditures ratio (1999) in organizations that have adopted the Policy Governance model than in either of the control groups, NCNB and the random sample of organizations.

The data employed to analyze this hypothesis derive from five years of revenue and expenditures data requested from each CEO. First, the mean difference in revenues to expenditures ratios between first year financial data (1995) and last year financial data (1999) for each sample was calculated. Second, an analysis of variance of the difference between the 1999 and 1995 ratios was calculated between the Policy Governance sample and each control sample. Table 39 presents the mean 1995 revenues to expenditures ratios and mean 1999 revenue to expenditures ratios for each of the three samples. Only organizations that had revenue and expenditures data for both 1995 and 1999 were included in the analysis.

For the first analyses, a one sample t-test was conducted for the sample of Policy Governance organizations, the NCNB sample and the sample of randomly selected nonprofit organizations, comparing their 1999 revenue to expenditures ratios to the known mean of their 1995 revenues to expenditures ratios. Figure 21 presents the results of the one sample t-test for the Policy Governance sample. The test value of 1.0147 is the known mean of the revenue to expenditures ratio for 1995 for the sample of Policy Governance organizations. This analysis examines the first year and last year ratio data for all 24 Policy

Table 39
Mean of 1995 and 1999 Revenue to Expenditures Ratios for
Policy Governance, NCNB and Random Nonprofit Organizations

Sample	1995 Ratio		1999 Ratio	
Policy Governance	Mean	1.0147	Mean	1.0283
	N	24	N	24
	Std. Deviation	5.887E-02	Std. Deviation	7.564E-02
NCNB	Mean	1.1432	Mean	1.0110
	N	18	N	18
	Std. Deviation	.3493	Std. Deviation	.2687
Random Organizations	Mean	1.6386	Mean	1.4913
	N	152	N	152
	Std. Deviation	3.5394	Std. Deviation	2.8905

Governance organizations and does not differentiate between organizations that adopted the model prior to 1995 from those that adopted the model between 1995 and 1999.

One-Sample Test

	Test Value = 1.0147					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
RATIO992	.803	23	.430	1.239E-02	-1.95E-02	4.433E-02

Figure 21: One-Sample t-test comparing mean of 1999 revenue to expenditures ratio to known mean of 1995 revenue to expenditures ratio in Policy Governance organizations.

The analysis reveals a non-significant difference between the mean of the 1999 revenue to expenditures ratio and the mean of the 1995 revenue to expenditures ratio for the Policy Governance organizations. There is little change between financial ratios from the first year to the fifth year in the sample.

The next analysis examines the same relationship between 1995 and 1999 revenue to expenditures ratios for organizations in the NCNB sample. Again, the known mean of

the 1995 revenue to expenditures ratio was employed as the test value. Figure 22 presents the results of the analysis of variance.

One-Sample Test						
	Test Value = 1.1432					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
RATIO992	-2.080	17	.053	-.1319	-.2658	1.906E-03

Figure 22: One-Sample t-test comparing mean of 1999 revenue to expenditures ratio to known mean of 1995 revenue to expenditures ratio in organizations receiving board development and training from the NCNB.

As can be seen in this analysis, the difference between the means of the revenue to expenditures ratios from 1995 to 1999 for the organizations in the NCNB sample is negative, and the difference is significant at the .05 level. The last analysis examines the difference between mean 1995 and 1999 revenue to expenditures ratios for the sample of organizations that were randomly selected. Figure 23 presents these results.

One-Sample Test						
	Test Value = 1.6386					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
RATIO992	-.628	151	.531	-.1473	-.6105	.3160

Figure 23: One-Sample t-test comparing mean of 1999 revenue to expenditures ratio to known mean of 1995 revenue to expenditures ratio in organizations randomly selected from the National Center for Charitable Statistics Database.

The mean difference in the revenue to expenditures ratios for this sample of organizations is also negative, but is not significant. Based on these three analyses, it appears that only the NCNB organization sample demonstrates a significant difference

between the revenue to expenditures ratios from the first year for which financial data were provided (1995) to the last year for which financial data were solicited (1999). However, the difference is negative, as is the difference between 1995 and 1999 ratios in the random sample of organizations. Policy Governance organizations alone demonstrate a positive difference in the ratio, while results from the other two samples both portray negative differences.

It must be noted that changes in the financial status of nonprofit organizations over time can occur for a number of reasons aside from the adoption of a new model of governance, and none of these possible explanations except the intervention of Policy Governance was tested here. Nevertheless, use of financial information to assess organizational effectiveness is supported by researchers if used in combination with other measures (Herman, 1990; Brudney and Murray, 1998). The result that the sample of Policy Governance organizations alone exhibited a positive change in the ratio of revenue to expenditures over a five year period merits further research.

For the next part of this analysis, analysis of variance tests were performed between Policy Governance organizations and each control sample. The dependent variable was the difference between the ratio of revenue to expenditures for 1999 and 1995. The purpose of this analysis was to examine whether the change in revenue from year one to year five varied significantly in each pair of comparisons - Policy Governance versus NCNB, and Policy Governance versus randomly selected organizations. The first ANOVA was conducted between the Policy Governance and NCNB organizations. Figure 24 presents the results.

ANOVA

DIFF9599

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	.214	1	.214	2.263	.140
Within Groups	3.785	40	9.463E-02		
Total	3.999	41			

Figure 24: Analysis of variance: Policy Governance organizations (N=24) and NCNB organizations (N=18) on difference between 1999 and 1995 revenue to expenditures ratios.

As can be seen from the analysis, the difference between the two samples on this measure of financial standing is nearly significant at the .10 level ($p < .140$). Figure 25 presents the results from the analysis of variance procedure between the Policy Governance organizations and the sample of organizations that were randomly selected.

ANOVA

DIFF9599

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	.528	1	.528	.133	.715
Within Groups	688.787	174	3.959		
Total	689.315	175			

Figure 25: Analysis of variance: Policy Governance organizations (N=24) and randomly selected organizations (N=157) on difference between 1999 and 1995 revenue to expenditures ratios.

The results of the analysis of variance procedure are not significant. There is no significant difference on a measure of change in financial ratios between 1995 and 1999 between the experimental sample (Policy Governance organizations) and the random sample.

Table 40 on p. 234 displays observable differences in mean ratios in 1995 and 1999 among the three samples, revealing that the NCNB and random samples have higher

mean ratios in 1995 than the Policy Governance organizations. In 1999, however, the mean ratio for the NCNB organizations dips below that of the Policy Governance organizations although the random sample still displays a higher mean ratio. The observable difference is revealed in the significant, negative difference in the NCNB sample ratio from 1995 to 1999, while Policy Governance organizations demonstrate a positive, but non-significant change in the revenue to expenditures ratios from 1995 to 1999. The random sample displays a non-significant, negative difference.

When the differences between 1999 and 1995 revenue to expenditures ratios were calculated for each organization, and analysis of variance was performed to determine whether this measure of difference between year one and year five financial ratios differed significantly between the experimental (Policy Governance) sample and each of the two control groups, neither comparison yielded significant results, although the difference between the Policy Governance sample and the NCNB sample is nearly significant. Based on the accumulated results, hypothesis 14 cannot be supported. The only significant difference between 1995 and 1999 financial ratios occurred for the NCNB organization sample, not for the Policy Governance sample.

Analysis of Hypothesis 15

The next analyses utilized data from a questionnaire item assessing the extent to which organizations have been able to acquire resources needed from the environment.

Hypothesis 15 states:

- H15 Organizations that have adopted the Policy Governance model will score higher on effectiveness as measured by resource acquisition compared to a randomly selected sample of nonprofit organizations not using Policy Governance, and a sample of organizations that have received NCNB board development training.

CEOs responded to the survey item, “In the past five years, to what extent has your organization been able to acquire the resources it needs from the external environment”

using a five-point scale from “No extent” to “Very great extent.” The mean and standard deviations for the responses to this item from all three samples are presented in Table 40. For all three sample groups, the mean scores for this item range in the 3.00 point on the scale, which corresponds to “moderate extent.” The CEOs from the NCNB sample recorded the highest mean of 3.48, which approaches “great extent.”

Table 40

Means and Standard Deviations for Item Measuring Perception of Resource Acquisition:
Experimental and Control Samples

Sample	N	Mean	SD
Policy Governance Organizations	27	3.26	1.23
Control Sample 1 (Random)	285	3.12	1.01
Control Sample 2 (NCNB)	21	3.48	.87

To test whether the mean scores differ significantly across samples on the resource acquisition variable, an analysis of variance procedure was performed using the questionnaire item measuring the extent to which the organization can acquire resources as the dependent variable (Q7). The analysis of variance was conducted between the mean response of the Policy Governance CEOs on resource acquisition and mean response on the same item from CEOs of organizations in the NCNB sample. Figure 26 presents the results of this ANOVA procedure.

ANOVA

q7

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	.508	1	.508	.482	.488
Within Groups	326.364	310	1.053		
Total	326.872	311			

Figure 26: Analysis of variance: mean perceptions of extent to which organizations have been able to acquire resources from the environment between Policy Governance Organizations and a sample of organizations from the NCNB.

The results indicate a modest difference between the means of the two organization samples. The F-ratio did not achieve statistical significance. Another analysis of variance procedure was performed comparing the mean of the Policy Governance organizations on the ability to acquire resources to the mean of randomly selected organizations on this same measure. Figure 27 presents the results of this analysis.

ANOVA

q7

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	.556	1	.556	.470	.496
Within Groups	54.423	46	1.183		
Total	54.979	47			

Figure 27: Analysis of variance: mean perceptions of extent to which organizations have been able to acquire resources from the environment between Policy Governance Organizations and a sample of randomly selected organizations.

As can be observed in Figure 27, the results of analysis of variance are again non-significant. There is no significant difference between Policy Governance organizations and randomly selected organizations on perception of the ability of the organization to acquire needed resources.

In summary, Hypothesis 14 is not supported. The mean response of CEOs from Policy Governance organizations on a measure of the ability of the organization to acquire resources is slightly greater than the mean of randomly selected nonprofit organizations, but not as great as the mean of organizations that have been trained by the NCNB. The analysis of variance procedures indicated no significant difference between the mean scores of CEO responses from Policy Governance organizations compared to either the NCNB sample or the randomly selected sample.

Analysis of Hypothesis 16

Hypothesis 16 states:

H16: Organizations that have adopted the Policy Governance board model will score higher on effectiveness as measured by internal processes compared to a randomly selected sample of nonprofit organizations not using Policy Governance and a sample of organizations that have received NCNB board development training.

Data for this analysis were derived from 9 items assessing the extent to which the board of directors and the organization exhibit practices and behaviors that would facilitate or smooth internal processes; the items are rated on a scale from “Not to any extent” to “Very great extent” by the CEO. A mean of the items was produced by constructing an index from the 9 indicators of internal processes (see table 31, p.207) this chapter for the list of indicators). Table 41 presents the means and standard deviations of the internal processes index for three study samples.

Table 41

Means and Standard Deviations for Index of Items Measuring Internal Processes:
Experimental and Control Samples

Sample	N	Mean	SD
Policy Governance Organizations	28	3.89	.58
Control Sample 1 (Random)	295	3.71	.66
Control Sample 2 (NCNB)	21	3.81	.50

Policy Governance organizations have the highest mean score for the index of internal processes. In order to determine if the means for the internal processes index vary significantly between samples, an analysis of variance procedure was performed between the means of the internal processes index for Policy Governance organizations and the organizations in the NCNB sample. Figure 28 presents the results of the analysis of variance of the two samples.

ANOVA

INTPROMN					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	8.333E-02	1	8.333E-02	.272	.604
Within Groups	14.386	47	.306		
Total	14.469	48			

Figure 28: Analysis of variance: mean perceptions of extent to which organizations practice selected internal processes; Policy Governance organizations versus the NCNB sample.

As can be seen from the figure, there is minimal difference between the sample means of the Policy Governance organizations and the NCNB sample organizations. The result is not significant. The next analysis of variance examines the means of the internal

process indicators rated by the CEOs of the Policy Governance organizations and the CEOs of the randomly selected organizations. The results are presented in Figure 29.

ANOVA

INTPROMN

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	.842	1	.842	1.989	.159
Within Groups	135.926	321	.423		
Total	136.769	322			

Figure 29: Analysis of variance: mean perceptions of extent to which organizations practice selected internal processes; Policy Governance organizations and control sample of randomly selected organizations.

Here, the results are again not statistically significant. For hypothesis 16, it appears that the means of internal process behaviors vary to a greater, but not significant, degree between the Policy Governance organizations and organizations from the randomly selected sample, but vary minimally between Policy Governance organizations and organizations whose boards have received training and development from the National Center for Nonprofit boards. Therefore, hypothesis 16 is not supported. The CEOs from the sample of Policy Governance organizations do score higher on the index of internal process items than the CEOs from either the NCNB sample or the random sample on the index of internal processes. However, neither of the differences is statistically significant.

Analysis of Hypothesis 17

Hypothesis 17 states:

H17: Chief Executive Officers of Organizations that have adopted the Policy Governance board model will score higher on effectiveness as measured by job satisfaction compared to Chief Executive Officers of a randomly selected sample of nonprofit organizations not using Policy Governance and Chief Executive Officers of organizations that have received NCNB board development training.

The data employed for this analysis were derived from ten items pertaining to aspects of job satisfaction. CEOs from all three samples rated the same set of items on a five point scale from “Very dissatisfied” to “Extremely satisfied.” An index was constructed of the ten items resulting in a mean job satisfaction score for each CEO. The means and standard deviations for the job satisfaction index are presented in Table 42.

Table 42

Means and Standard Deviations for Index of Items Measuring Job Satisfaction:

Experimental and Control Samples

Sample	N	Mean	SD
Policy Governance Organizations	26	4.16	.56
Control Sample 1 (Random)	301	3.84	.76
Control Sample 2 (NCNB)	21	3.99	.53

On average, CEOs from the Policy Governance organizations rate their job satisfaction as “Very Satisfied,” while the CEOs from the random and NCNB samples rate their satisfaction somewhat lower. Analysis of variance examined the difference between means of job satisfaction for CEOs in Policy Governance organizations and those of CEOs in the organizations in the NCNB sample. Figure 30 presents the results of this ANOVA procedure.

ANOVA

JOBSATMN

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	.292	1	.292	.976	.328
Within Groups	13.478	45	.300		
Total	13.770	46			

Figure 30: Analysis of variance: mean perceptions of extent to which CEOs are satisfied with aspects of their job between CEOs of Policy Governance organizations and CEOs of organizations whose boards have received board development and training from the NCNB.

The results of the ANOVA procedure indicate a minimal difference between the sample means of Policy Governance organizations and NCNB organizations, and the difference is not statistically significant. The next analysis of variance compares the sample means of Policy Governance organizations and the means of job satisfaction indicators from the CEOs of the organizations in the random control group. Figure 31 presents the results of this analysis.

ANOVA

JOBSATMN

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	2.347	1	2.347	4.214	.041
Within Groups	180.974	325	.557		
Total	183.321	326			

Figure 31: Analysis of variance: mean perceptions of extent to which CEOs are satisfied with aspects of their job between CEOs of Policy Governance organizations and CEOs of organizations from the random selection control group.

As indicated in the figure, the means of job satisfaction items differs significantly between the CEOs of Policy Governance organizations compared to the CEOs of organizations from the random selection control group. The F-ratio is significant at the 0.05 level. On the basis of these results, hypothesis 17 is partially supported. CEOs of

Policy Governance organizations do score higher on measures of job satisfaction than either the CEOs of organizations whose boards have been trained by the National Center for Nonprofit Boards, or CEOs of organizations in a stratified random sample. In addition, the differences between the means of job satisfaction indicators between Policy Governance CEOs and NCNB CEOs is moderate and nearly significant, and the difference is statistically significant at the 0.05 level between Policy Governance CEOs and CEOs from a randomly selected control sample.

Summary

Table 43 summarizes the results of the hypotheses tests for the comparison of Policy Governance organizations to organizations receiving board development and training from the NCNB and organizations randomly selected from the National Center for Charitable Statistics on four effectiveness frameworks.

The measures of effectiveness from the Policy Governance organizations were compared to two control groups: a sample randomly selected from the National Center for Charitable Statistics database for May 2000, and a sample of organizations that had received board development and training from the National Center for Nonprofit Boards.

Five analyses were conducted for the Policy Governance organizations versus the NCNB organizations, and Policy Governance organizations versus the random sample organizations. Across all five analyses, only two significant differences emerged--between Policy Governance organizations and the random sample in goal achievement and in job satisfaction measures. No significant differences were found between Policy Governance organizations and organizations trained by the NCNB. These results respond to an important question raised in nonprofit governance and performance research--will adhering to the structure and discipline of any model improve board and organizational performance, or does the particular model matter? The evidence of non-significant differences between two samples of organizations that had each been trained in a governance process would

seem to support the position that the type of model is not as important as the fact that a model had been applied.

Table 43

Summary of Hypotheses Tests and Results on Comparative organizational Effectiveness

Hypothesis	Result
H13: Organizations that have adopted the Policy Governance board model will score higher on effectiveness as measured by goal achievement compared to a randomly selected sample of nonprofit organizations not using Policy Governance, and a sample of organizations that have received NCNB board development training.	Partially supported: Policy Governance v. NCNB: non-significant Policy Governance v. Random sample: significant difference $p < 0.05$
H14: There is a greater difference between the first year revenue to expenditures ratio (1995) and the last year revenue to expenditures ratio (1999) in organizations that have adopted the Policy Governance model than in either of the control groups, NCNB and random sample of organizations.	Not supported: NCNB organizations show significant, negative difference between 1995 and 1999 ratios. In Policy Governance organizations, difference is positive but not significant.
H15: Organizations that have adopted the Policy Governance board model will score higher on effectiveness as measured by resource acquisition compared to a randomly selected sample of nonprofit organizations not using Policy Governance, and a sample of organizations that have received NCNB board development training.	Not supported: Policy Governance v. NCNB, positive but non-significant; Policy Governance v. Random sample: positive but non-significant
H16: Organizations that have adopted the Policy Governance board model will score higher on effectiveness as measured by internal processes compared to a randomly selected sample of nonprofit organizations not using Policy Governance and a sample of organizations that have received NCNB board development training.	Not Supported: Policy Governance v. NCNB, positive but non-significant; Policy Governance v. Random sample: positive but non-significant
H17: Chief Executive Officers of Organizations that have adopted the Policy Governance board model will score higher on effectiveness as measured by job satisfaction compared to Chief Executive Officers of a randomly selected sample of nonprofit organizations not using Policy Governance and Chief Executive Officers of organizations that have received NCNB board development training.	Partially Supported: Policy Governance v. NCNB, positive but non-significant; Policy Governance v. Random sample: positive and significant ($p < 0.05$)

The results of the analyses in the second section of Chapter 6 lend support to the hypotheses that organizations that have adopted the Policy Governance model have greater performance in terms of goal achievement and CEO job satisfaction than organizations in a random sample whose governance processes are unknown. However, there is no evidence to suggest that the performance of Policy Governance organizations is superior to that of organizations that have adopted an alternative method of board governance. The discussion of these results will be elaborated in the following chapter.

Chapter 7 concludes this dissertation study. A brief review of the foundational literature, research questions, and methodology of the study is presented. The implications of the study are discussed. The study has produced significant results on several aspects of implementation, board performance, and organizational effectiveness, and so has much to contribute to the study of nonprofit governance and performance, and particularly to the interests and concerns about the Policy Governance model. Future directions for continued research conclude the chapter and the dissertation.

CHAPTER 7

CONCLUSIONS

This dissertation has tested the implementation, board performance and organizational effectiveness of nonprofit organizations that are utilizing the Policy Governance model of board governance developed by Dr. John Carver. The Policy Governance model is widely promoted and widely used, but only limited research has been conducted on the model. Chapter 7 briefly reviews the literature, the purpose of the study, and describes the samples and methodology. A summary of the findings is presented. The findings are discussed in light of the current research in board governance. Finally, limitations of the study, and recommendations for future research are presented.

Relationship between Nonprofit Study and Public Administration

Research on governance and performance in nonprofit organizations is timely and important to the field of Public Administration. Connections between the study of nonprofit organizations and Public Administration justify the importance of research, such as this dissertation, in nonprofit governance.

First, interdependence in service delivery exists between government and the nonprofit sector. The development of nonprofit service delivery predates the Civil War, and several eras in the history of the United States spurred the growth of the nonprofit sector, building government's dependence on the stability and capacity of the sector to deliver public services. Second, Public Administration and nonprofit study are both concerned with accountability and recognize that differences between the sectors impact the establishment and tracking of accountability relationships. Third, the concept of civic life is broadened and enriched by citizens' participation in nonprofit organizations (Putnam, 1995). Membership on boards of directors is an important facet of this

participation. Fourth, the public and nonprofit sectors face increased challenges in establishing criteria for evaluation of effectiveness. Performance measurement in nonprofit organizations has become crucial as managers, boards of directors and stakeholders seek to justify their mission and expenditures to numerous constituencies and funders, of which government is a significant partner. Finally, a scholarship connection exists. Research and teaching in nonprofit organizations is established in numerous Public Administration programs across the country (Wish and Mirabella, 1998).

Importance of Board of Directors

This study proposed that the key to the issues of accountability, governance, citizen involvement and organizational effectiveness in the nonprofit sector is the board of directors. Boards of directors guide key elements of a nonprofit organization: significant resources; linkages between resources, management and citizen consumers or stakeholders; interpretation of policy and the political and financial environment, personnel and programmatic decisions. The board is legally accountable for the practices and outcomes of the nonprofit organization. Yet boards are composed of volunteers who have mixed motives for serving on boards, and have widely varying levels of experience, expertise, and training.

Scholars question whether current governance models adequately serve the diversity of organizations that comprise the nonprofit sector, which can range from major hospitals to grassroots arts organizations. Scholars and practitioners discuss whether current governance strategies meet the changing political, financial, technological, demographic and policy environment, and they wonder whether governance is receptive to new management and organizational strategies such as Total Quality Management and Continuous Quality Improvement, collaboratives, joint ventures, nonprofit entrepreneurship, and use of subsidiaries (Ryan, 1999).

Research on governance and effectiveness issues related to nonprofit boards of directors has grown in response to these concerns. Guidance for boards of directors has

been largely prescriptive in nature, and some generally well-agreed upon practices are oft-cited in the literature (Houle, 1997; Soltz, 1997; Herman and Heimovics, 1991; Axelrod, 1994; Connors, 1980; Oster, 1995). Observation of and research on boards has resulted in a few departures from the prescriptive views regarding boards, as well as some new approaches. Studies have examined the role of the executive director (Herman and Heimovics, 1990, 1991; Young, 1987; Smith, 1989), boards that change their membership and role contingent to the organization's current projects (Harris, 1993), advisory boards formed to assist with certain organizational functions (Saidel, 1998) and new, hybrid forms created in response to the need for novel governance structures to support innovative nonprofit - public sector or business sector collaborations (Bradshaw, Stoops, Hayday, Armstrong, and Rykert, 1998). At this writing, the Hauser Center at Harvard University and the National Center for Nonprofit Boards have begun a comprehensive, joint inquiry that will assess the "prospects and strategies for developing alternative governance" (Ryan, 1999).

Scholars and practitioners are also concerned with the amount of time and resources spent on developing and training boards, and the seeming lack of results with respect to performance, especially in relation to the effort expended. Despite the concern, however, few studies have directly addressed the relationship between board development and training and possible outcomes in board performance or organizational effectiveness. The few studies that have been accomplished (Holland, Chait and Taylor, 1989; Holland and Jackson, 1998; Jackson and Holland, 1998; Brudney and Murray, 1998) indicate that purposeful development work does result in at least perceptions of enhanced board performance, and tentatively, increased organizational effectiveness. However, only a small group of studies have considered--or established--a connection between board development and improved board performance (Holland and Jackson, 1998; Jackson and Holland, 1998). Perhaps most unsettling, no empirical study has examined the impact of

training in John Carver's (1990) Policy Governance—perhaps the best known model of board operation--on board performance and effectiveness.

In addition to exploring alternative forms of governance that fit the needs of the range of nonprofit organization structures, functions and conditions, scholars continue to debate whether there is a connection between board performance and organizational effectiveness. Several studies have attempted to establish this relationship but have failed to do so conclusively (Holland and Jackson, 1998; Green and Griesinger, 1996; Herman, Renz and Heimovics, 1997; Smith and Shen, 1996). This body of research examines board prescriptions and observes how they are manifested in board practice, as well explores the potential relationship between the performance of the governing board and the performance of the organization (Bradshaw, Murray, Wolpin, 1992; Cook and Brown, 1990; Green and Griesinger, 1996; Harris, 1993; Herman, Renz and Heimovics, 1997; Jackson and Holland, 1998; Siciliano, 1997). Several researchers point to the need to continue research on board governance and effectiveness (Herman, 1990, 1992; Renz, 1999; Brudney and Nobbie, in press).

Focus of this Research

For numerous reasons, then, governing boards are worthy of research time and attention. The purpose of this dissertation research is to provide further insight into governance in nonprofit organizations. The first part of the dissertation focused on implementation of the Policy Governance model in nonprofit boards of directors and examined factors that may contribute to, or impede, full and successful adoption of Policy Governance practices. Further, the study analyzed the perceived effects of the change in governance practices on the performance of the board. The final objectives of the research were to examine relationships between the implementation of this model and the effectiveness of the board of directors and the organization, and to compare effectiveness between organizations that implemented Policy Governance with organizations governed in other ways.

This the research examined a widely-promoted and adopted model of board governance, the “Policy Governance Model” developed by John Carver, Ph.D. (Carver, 1990). Carver developed the model over a period of years after working in the nonprofit environment in which he experienced first hand an ineffective relationship between management and the board of directors. He observed that responsibility for establishing the purpose for the organization’s work, as well as undertaking activities toward accomplishing that purpose, fell on managers who appeared to haphazardly set goals and equally as haphazardly undertook activities to accomplish those goals. In response to those observations, he defined principles of governance and designed a model of practice within which an organization’s board members could determine the reason for its existence and the executive director could work toward achieving its purpose. The model defined the relationship between the chief executive officer and the board of directors and established the parameters of action and behavior for the board itself. With the “Policy Governance” model, John Carver hoped to bring “governance into the new age” (Carver, 1990, xvi).

Carver defines a model of governance as “a framework within which to organize the thoughts, activities, structure, and relationships of governing boards” (Carver, 1990, p. 19). In the Policy Governance model, the board develops policies in four domains: Ends (what consumer results are to be achieved, for whom and at what cost); Executive Limitations (boundaries of acceptability within which staff methods and activities can be left to staff to decide); Board-staff linkage (how authority is delegated to staff, and how staff performance is evaluated against ends and executive limitations policies); and Governance process (board determines its philosophy, accountability and the specifics of its own job). Developing and refining these four policy areas and measuring outcomes and results against them is the primary task of the board.

Carver makes strong claims for the effectiveness of the Policy Governance model, and in response scholars and practitioners voice several concerns. Scholars question

whether one model of governance “fits all” (Ryan, 1999); whether such a rigorous and prescriptive model can be implemented well by the average citizens that populate nonprofit boards; whether the model addresses the major issues that trouble boards such as competent membership, evaluation of performance, and other complex problems that bedevil nonprofit organizations in a changing environment (Murray, 1999). Anecdotal information from board members also raises questions about board members losing their connection with the organization’s programs, and concerns over the amount and adequacy of the information provided to the board by the CEO (responses to Implementation and CEO surveys).

The questions and hypotheses posed in this research were designed to respond to Carver’s claims and the concerns of scholars, practitioners and board members themselves. Four major questions guide the dissertation research:

- 1) Is there a difference in board practices before and after adoption of the Policy Governance Model? Is the model implemented similarly in boards from diverse sectors of the nonprofit classification system?
- 2) Is there a perceived difference in the board’s performance from before adoption of the model to after adoption of the Policy Governance model?
- 3) Is there a relationship between the degree of implementation of the Policy Governance Model and the perceived effectiveness of the organization, as judged by the Chief Executive Officer of the organization, the chairperson, and/or the board members?
- 4) Is there a difference between the effectiveness of organizations whose boards have adopted the Policy Governance Model compared to a random sample of organizations whose boards are using other governance models, and compared to a third sample of organizations that have received board development training from the National Center for Nonprofit Boards?

The research utilized survey responses gathered from three samples. The first sample was comprised of the chief executive officers, chairpersons, and board members of 32 nonprofit organizations in the United States and Canada that have implemented, or are

in the process of implementing the Policy Governance Model. Data from board members and chairpersons of this sample are used to address the first two research questions on implementation of the model and perceptions of changes in the board's performance.

Data from the CEOs of the Policy Governance organizations were used to address the third research question: Is there a relationship between the degree of implementation of the Policy Governance model and the CEO's perception of the effectiveness of the organization? The data measured five dimensions of organizational effectiveness: goal achievement, resource acquisition, internal processes, job satisfaction, and chief executive officer performance.

The second and third samples serve as control groups. The use of control groups allows examination of possible differences in effectiveness of organizations using the Policy Governance model compared to the effectiveness of randomly selected organizations using unknown governance practices, and compared to organizations that are operating under an alternative method of governance such as that promoted by the National Center for Nonprofit Boards. The first control group was composed of chief executive officers from a stratified random sample of 1500 nonprofit organizations that filed I.R.S. 990 tax forms in 1999. This data base includes information from all nonprofit organizations with revenues over \$25,000 that filed tax returns in a given year. The data are made available through the National Center for Charitable Statistics, and for this study were current to May of 2000. Respondents in this sample numbered 309.

The second control group was comprised of chief executive officers of nonprofit organizations that had participated in either assessment or board development training with the National Center for Nonprofit Boards. These organizations participated in a purposeful change effort embracing the NCNB's board development training that differs from the Policy Governance model. Respondents from this sample numbered 26. The data from the control groups are employed to address the fourth research question: Is there a difference between the effectiveness of organizations whose boards have adopted Policy

Governance compared to a sample of boards that have been trained in an alternative model of governance? The NCNB control group was used to evaluate whether the Policy Governance model in particular is responsible for enhanced performance of the organization that adopted it, or if planned board change per se might yield similar results. Data from the CEOs of the randomly selected sample, and from the sample from the NCNB have measurements on the four effectiveness frameworks above, but exclude assessment of CEO performance²⁶.

Findings Regarding Implementation Research Questions

The first research question explored two important aspects of implementation of the Policy Governance model. Data were gathered from board members' responses to an implementation survey that solicited their perceptions of the extent to which they felt their board had implemented a variety of governance behaviors. Behaviors associated with the Policy Governance model were mixed with behaviors aligned with more traditional board practices. Board members were given the opportunity to indicate whether the board had implemented a particular behavior 75% of the time prior to adopting the Policy Governance model. This item served as a proxy for a measure of governance behavior practiced by the board prior to the shift to Policy Governance.

Hypothesis 1 proposed board members score higher on indicators of Policy Governance board practices and lower on traditional practices after implementation of the Policy Governance model compared to before implementation of the model. Several analyses of the board members' responses to the governance behavior items supported the hypothesis. First, board members distinguished items reflecting Policy Governance behaviors from items reflecting traditional board behaviors with great consistency. Second, the difference between mean scores of the Policy Governance behavior items and the traditional governance mean scores was significant at the .0001 level. Third, a greater

²⁶CEO performance was rated by chairpersons in the Policy Governance organizations, however, chairpersons' responses were not solicited for the control samples.

percentage of board members indicated that they practiced traditional behaviors prior to adopting Policy Governance than indicated they practiced behaviors associated with Policy Governance prior to adopting the model. This finding is based on the data from the 75% rule (percentage of time board members practiced either traditional or Policy Governance-type behaviors prior to adopting the Policy Governance model). When this data is linked with the analysis portraying the significant difference in mean scores of Policy Governance behaviors versus traditional behaviors, results suggest that board members shifted from traditional governance behavior to behavior associated with Policy Governance after the board adopted the model.

Hypothesis 2 proposed no significant differences in implementation of the Policy Governance model between boards of directors in different mission categories of the National Taxonomy of Exempt Entities classification system. This hypothesis addressed concerns by scholars that no one governance model meets the needs of all types of organizations, although Policy Governance has been promoted as a model that can be widely and universally applied (Carver and Carver, 1997). Preliminary results revealed significant differences on the measure of implementation of Policy Governance across organization type. In addition, implementation differed significantly ($p < .10$ or greater) between organizations for six Policy Governance behaviors in particular. Means were low for the religion-related organization, and high for the public-societal benefit organization for the items that addressed the “ends” policy; the concept of “ownership;” future focus and long-term viewpoint; and role definition between the CEO and the board. There was a significant difference between the Religion-related organization (mean = 4.09) and the education-related organizations (mean = 3.29) in proactive agenda-setting behavior. The survey item, “The board speaks with one voice” also significantly differentiated between types of organizations, with the environmental organization scoring 4.9 and education and human services organizations scoring in the 4.3 to 4.4 range.

The hypothesis can be refuted only tentatively because some of the mission categories that demonstrated significant differences in the dependent variable included only one or a few organizations. The low N in these categories requires that results be interpreted with caution – however the results also indicate that there may indeed be differences in implementation of Policy Governance across organizations with different mission types, and that this aspect of implementation requires further study.

Hypothesis 3 proposed that across organizations with different mission types, indicators of the Policy Governance components would be positively correlated among one another. The analysis sought to determine how likely were board members the 32 different organizations to practice all Policy Governance behaviors presented on the survey. Correlation analysis of 12 questionnaire items representing Policy Governance behavior revealed that 46 of 66 inter-correlations were significant at the .05 level or greater. When the analysis was controlled for length of time (in months) operating under the model, all correlations but two were significant at the .01 level or greater. The analysis suggests that this sample of board members appear to practice most Policy Governance behaviors. Indicators of the components of the model were even more strongly correlated when controlling for length of time the board had operated under the model. On the basis of this result, hypothesis 3 was supported.

Hypothesis 4 proposed that boards with greater than 15 members would score lower on indicators of Policy Governance than boards with 15 or fewer members. Analysis of variance resulted in no significant difference in implementation level between boards with greater or less than 15 members. Hypothesis 4 was not supported.

The next set of hypotheses explored relationships between contextual variables that have appeared in the governance literature as factors that may impede or facilitate nonprofit board development or effectiveness and the variable PGMEAN representing the implementation of Policy Governance. The variables considered to have positive effects on implementation were number of paid staff, number of volunteers, hours of training in

the model, use of a planning committee to assist in the implementation process, use of a consultant, greater annual revenue, and the length of time operating under the model. Age of the organization was considered to impede implementation of the model.

Hypothesis testing supported only two of these hypotheses at a statistically significant level. The greater the number of hours the board has been trained in Policy Governance, the greater the level of implementation of the model ($p < 0.002$). Also, the longer a board has been operating under the model, the greater the level of implementation ($p < .10$). The influence of the number of paid staff and volunteers on implementation was positive, but not statistically significant.

Hypothesis 6 was tested in response to the second major research question, which concerned perceived differences in the board's performance from before adoption of the Policy Governance model to after adoption. Board members, chairpersons and CEOs of the organizations were the respondents for this analysis. There was a significant relationship between board members' Policy Governance implementation behavior score (PGMEAN) and their response to the board performance item ($p < .0001$). (The item queried whether the way the board of directors performs its duties had worsened, remained the same or improved since adopting Policy Governance). The relationship between the implementation variable and board performance at the organization level was also strongly significant ($p < .001$). Board members' and CEOs' assessments of improvement in the boards' performance were significantly correlated ($r = .402$, $p < .05$). However, the relationships between the CEOs' and chairpersons' assessments of the performance of the board and the level of implementation of Policy Governance were not statistically significant. Thus, hypothesis 6 was partially supported.

Organizational Effectiveness Testing

In "Measuring the Unmeasurable," Forbes (1998) reviews empirical studies of nonprofit organizational effectiveness over 20 years. He states: "Organizational effectiveness is both a powerful and problematic concept" (p. 183). It is powerful because

it represents a useful tool for evaluating and enhancing the work of organizations (Taylor and Sumariwalla, 1993); it is problematic in that it can mean different things to different people (Kanter and Summers, 1987). The concept has endurance however (Herman, 1990), and over time many approaches to measuring organizational effectiveness have emerged.

After nearly two decades of focused study of the concept of organizational effectiveness in the sixties and seventies, Cameron and Whetten (1983) summarized the effort by offering two conclusions: a) “there cannot be one universal model of organizational effectiveness” (p. 262) and b) “it is more worthwhile to develop frameworks for assessing effectiveness than to try to develop theories of effectiveness” (p. 267). Selection of the effectiveness frameworks employed in this section of the dissertation was bound by certain criteria.

First, several researchers supported the use of multi-dimensional approaches to measuring effectiveness (Cameron, 1982; Zammuto, 1982; Connolly, Conlon and Deutsch, 1980; Kanter and Summers, 1987; Herman, 1990). Therefore, indicators were designed to elicit information on several types of organizational effectiveness: 1) goal achievement (Price, 1972; Zald, 1963; Etzioni, 1964; Yuchtman and Seashore, 1967; Green and Griesinger 1996; Sheehan, 1996); 2) systems resources, or financial indicators (Steers, 1977; Provan, 1980; Smith and Shen, 1996; Herman, 1990; Holland and Jackson, 1998; Greenlee and Bukovinski, 1998); 3) internal processes (Cameron, 1980, Quinn and Rohrbaugh, 1983); and 4) job satisfaction (Steers, 1977; Robinson, Athanasiou and Head, 1969). In addition, because the relationship between the CEO and the board is so carefully defined in Policy Governance, indicators to assess 5) the performance of the CEO in the Policy Governance organizations were included.

Second, the research was concerned with the correlates of effectiveness, and not the processes staff, stakeholders or boards of directors use to construct a concept of effectiveness. The research that focuses on social constructions or emergent theories of

effectiveness propose that “effectiveness is a matter of effective at what, for whom, and according to whom” (Herman, 1992, p. 415) and determinations of effective aspects of organizations depend on who is asked. This type of research also may engage stakeholders and constituents of organizations, from whom soliciting data is difficult. The limitations of time and resources precluded a study of this type. Further, scholars agree that the field still needs research on measures and criteria of effectiveness relevant to the organizational domain (Forbes, 1998), performance related to mission (Sheehan, 1996) and evidence to support accepted hypotheses that relate management practices to effectiveness (Herman, 1992, p. 414). Identifying significant organizational or contextual variables that impact governance implementation, board performance and organizational effectiveness may inform studies on emergent or social construction theories of effectiveness, but identification of the significant variables must precede application of this knowledge to emergent effectiveness studies.

Third, the measures had to be applicable to organizations that were not governed by the Policy Governance model. The survey items had to be meaningful measures of board, CEO and organization behaviors and practices for all types of organizations, even as they reflected ideals of governance, and board and organizational behavior. Generic measures made comparisons possible. In order to support or refute Carver’s claim that Policy Governance is “the one best way” (Carver, 1998, p. 4) and can serve any organization well, evidence of effectiveness must be comparable to that which can be obtained from any nonprofit organization, not only those which employ the Policy Governance model.

In summary, the effectiveness measures employed for this study met three research design criteria: they were multi-dimensional; they focused on correlates of effectiveness that had been identified in the literature; and they were generic enough to be applied across organization samples.

No other empirical studies assessing implementation, board performance or organizational performance of Policy Governance exist to this researcher's knowledge. The framework presented in this dissertation examines the different aspects of implementation of Policy Governance in nonprofit boards of directors, and proposes relationships between those aspects and how they may impede or facilitate improved board performance and organizational effectiveness.

Findings Regarding Organizational Effectiveness

Six hypotheses tested organization effectiveness in the Policy Governance organizations. Three were supported; there was a significant relationship between the organization-level dependent variable measuring extent of implementation and one measure of goal achievement ($p < .001$); the internal processes scale ($p < .05$) and the CEO job satisfaction scale ($p < .05$). Correlations were not significant for relationships between extent of implementation and difference between 1995 and 1999 revenue to expenditures ratios; CEOs' perceptions of the ability of the organization to acquire necessary resources; and between the extent of implementation and the chairpersons' assessments of the performance of the CEO.

Five hypotheses tested comparative organizational effectiveness between the Policy Governance organizations and the two control group samples. Hypothesis 13 proposed that Policy Governance organizations would score significantly higher on measures of goal achievement than organizations in either of two control groups, the NCNB sample and the stratified random sample of organizations. One measure of goal achievement achieved significance. The item stated "On a scale of 1 to 9, where [1] means 'Worsened Greatly,' [5] means 'Remained the Same,' and [9] means 'Improved Greatly,' would you say that over the past five years, the performance of this organization in attempting to meet its goals has worsened, remained the same or improved?" The analysis of variance yielded significant results between Policy Governance organizations and the randomly selected organizations, ($p < .05$), while the difference between the

organizations in the NCNB sample and the Policy Governance sample was not significant.

Hypothesis 14 proposed to measure effectiveness by comparing differences between year one (1995) and year five (1999) revenue to expenditures ratios for organizations in each sample. Organizations from the NCNB sample demonstrated the highest mean ratio of the three groups in 1995, although the NCNB mean ratio fell below that of the Policy Governance organizations for 1999. One sample t-tests using the 1995 revenue to expenditures ratio as the test value against which the 1999 ratio was compared revealed no significant difference between the 1995 and 1999 ratios for the random sample and the Policy Governance sample. The NCNB sample demonstrated a significant, negative difference between 1995 and 1999. The Policy Governance sample alone, however, showed a positive difference in the ratio of revenue to expenditures, while the NCNB and random samples yielded negative differences.

Analyses of variance procedures were conducted on the difference between 1999 ratios and 1995 ratios to observe whether the trend over five years differed between Policy Governance organizations and each of the two control samples, Policy Governance versus NCNB and Policy Governance versus random organizations. Neither analysis of variance procedure yielded significant differences between the pairs of samples. None of these analyses of organizational effectiveness as measured by financial ratios produced results that would indicate that Policy Governance organizations are more effective than either control group in this regard. Hypothesis 14 was not supported.

Hypothesis 15 examined resource acquisition as a measure of effectiveness. Of the three groups, NCNB organizations registered the highest mean score on a survey item that asked their CEOs to assess the extent to which their organizations have been able to acquire the resources needed from the environment. Analysis of variance on the means of the resource acquisition item between Policy Governance organizations and each control group revealed no significant differences between the means in either comparison. Hypothesis 15 was not supported.

Hypothesis 16 tested the difference between Policy Governance and the control organizations on measures of internal processes. The internal process approach emphasizes systematic decision-making, information management and control (Sheehan, 1996), measurement and documentation (Rojas, 2000), and the presence or absence of internal strain, trust and benevolence towards individuals and smooth information flow (Cameron, 1980) internal to the organization. Hypothesis 16 proposed that if organizations had adopted the Policy Governance model to the extent that was confirmed in preceding implementation analyses, then CEOs should reflect the presence of smoother internal operations, adequate information flow, and clear division of roles and accountability in higher mean scores on internal process items. To support the hypothesis, the measure of internal process behavior for Policy Governance organizations should exceed (significantly) that of NCNB and randomly selected organizations.

Inspection of means analyses indicated that Policy Governance organizations scored higher on the internal processes measurement scale than either of the two control groups. Analysis of variance on the internal process scale measures between Policy Governance and each of the two control groups revealed that neither comparison yielded significant differences. (The F-statistic for the comparison between Policy Governance organizations and the randomly selected organizations was 1.820 however, $p < .178$). There was no significant difference on the measures of internal processes between Policy Governance and the NCNB organizations. Hypothesis 16 was not supported.

The final comparative effectiveness hypothesis concerned job satisfaction measures. CEOs from Policy Governance organizations had the highest mean job satisfaction ratings, followed by CEOs of the NCNB organizations. Analysis of variance on the mean job satisfaction scores between Policy Governance CEOs and CEOs from the NCNB organizations was not significant. However, the difference in means between CEOs of the Policy Governance organizations and the CEOs for the randomly selected organizations was significant at the .05 level. Hypothesis 17 was partially supported.

Discussion of the Research Results

This study of the implementation, board performance and organizational effectiveness of organizations that claim to have adopted the Policy Governance model yielded several important findings that inform the research on board performance and effectiveness generally, and factors influencing the adoption and comparative effectiveness of the Policy Governance model specifically. As little or no empirical research has been conducted on Policy Governance to date, this dissertation contributes important findings that should be of interest to scholars and practitioners alike.

The adoption of Policy Governance represents a purposeful change effort that should, by Carver's recommendation, be pursued with unanimous resolve (Carver and Carver, 1997, p. 12). The limited research on board development efforts found that changing board behaviors rather than individual board members' attitudes or personalities, was more key (Holland and Jackson, 1998). Changing behavior involved changing procedures and structures for accomplishing board work. The results of the Policy Governance implementation survey confirm that in boards that undertake intentional efforts to change their governance behaviors, board members' responses to indicators measuring those behaviors in terms of governance processes and structures reflect that change to a significant degree.

A second important finding addresses Carver's position that greater benefits of operating under Policy Governance are realized if boards adopt it as a coherent, integrated model. Carver's premise that Policy Governance is a model in the scientific sense is one of the most important foundations of his philosophy of governance. His definition of a model arose, he states, out of "a scientific mind-set that helped me understand the power of modeling and gave me the ability to recognize its absence" and to realize that the issue about boards of directors that had troubled him for so many years was that "there was no model for governance" (Carver, in Foreword; Oliver, 1999, p. xiv). To Carver, a model is defined as "a collection of principles and concepts that make sense as a whole. It is

internally consistent, and has external utility” (p. xv). It is more than a structure and arrangement of best practices. The implementation questionnaire attempted to represent behaviors that, if practiced, would comprise the core elements of the model. Therefore, to the extent that board members practiced all the behaviors to a similar degree, one could make a crude assumption that they had implemented the model as a whole. If members had implemented only isolated behaviors pertaining to the model, it would be evident in significantly lower mean scores in some behaviors rather than others.

Results of a correlation analysis that explored relationships between twelve Policy Governance behaviors determined that mean scores were significantly correlated across most behaviors (44 of 66 significant at the .05 level). When the analysis was controlled for length of time operating under the model, the correlations were all significant at the .01 level save for the correlation between one pair of items.

The correlation analysis supports the results from a study of trainer-consultants who teach Policy Governance (Brudney and Nobbie, in press) that found that the majority of consultants taught the Policy Governance model as a whole, and more than 50% of them taught Policy Governance entirely and exclusively. The few trainer-consultants who stated that they taught parts of the model (only) verified on a check list that they teach nearly all the parts. They will negotiate with boards to get as close to the full model as the board’s comfort level will allow, but they stated explicitly that they believe the concepts of Policy Governance are best taught as a unit. As well, Oliver’s 1999 study of eleven boards of directors that implemented Policy Governance also found that full understanding of the model, and being committed to implementing it in its entirety, influenced success in implementation.

The results provide evidence that board members tend to practice most of the Policy Governance behaviors to a significant degree, an indication that they link the components of the model in their governance behavior. The length of time spent operating under the model strengthens the positive effect on the level of practice across

behaviors. However, since there is variability in the strength of the correlations between model components, there is less support for the position that the components constitute an integrated model. Further testing will be necessary to examine the strength of the model as an integrated set of behaviors.

It is important to note the possibility that board members in the Policy Governance boards may have overstated the extent to which they practice Policy Governance behaviors. Board members may rate the extent of their practice of the behaviors to a greater degree because they recognize how much time, effort, and expense they have invested in adopting the model—in effect, they have sunk costs. In addition, they voluntarily participated in the study, raising the issue of self-selection bias. By agreeing to participate in a study designed to critically examine the Policy Governance model, they may feel they have something to prove, and as a result, rate the components of the model and the degree to which they implement them to a very positive degree. For the same reason, they may overstate the board performance results.

However, analysis of member data within boards reveals a degree of variability among members. Board members' scores on indicators of Policy Governance behavior ranged from 1.0 to 5.0. Not all members are fully supportive of the model, and not all members are as experienced in the model as others. Board members' comments also revealed a range of opinions about the model and their practice of it, although they are predominantly positive. The possibility of bias in reporting would occur in any study that involves a comprehensive change effort that has entailed significant investment of time and resources—this problem is not characteristic of Policy Governance specifically. Therefore, despite the selection bias, reasonable confidence in the validity of the board member responses is warranted.

A third important finding resulted from comparing the mean implementation scores across organizations in different mission categories of the National Taxonomy of Exempt Entities classification system. Analysis of variance of the implementation means

showed the variable PGMEAN differed significantly ($p < .006$) across seven mission categories of the NTEE. This result can be interpreted to mean that the model is not implemented to the same extent in organizations that vary by mission. In particular, analysis of variance pointed out the greatest differences between the religion-related organization (low mean implementation score), and the public-societal benefit organizations (high mean implementation score).

Carver promotes the universality of the model, and his training materials exhort that the model can be applied “to any governing board, to any type of organization, in any culture, at any stage of development” (Carver, 1999, Brief Summary: Training Packet materials). In Board Leadership, his Jossey-Bass Newsletter, Carver states that the model has within it many areas of flexibility and possibilities for “tweaking” that allow tailoring to specific circumstances. “Finding the flexibility in Policy Governance to embrace many varied circumstances is not outside the model’s applicability, but clearly within it” (Carver, 1998, p. 5).

The question this statement raises then, is what type of organizations would require adjustments of the model and what aspects of the model may require adjustment between organization types? When analysis of variance was conducted on the mean implementation scores by individual Policy Governance behaviors, four behaviors differed significantly between religious and public-societal benefit organizations. Those four behaviors represent core elements of Policy Governance: Ends Policy - what benefits are to be received by which recipients at what cost; Ownership - who the board represents, what products it requires and how it will operate; CEO-Board role clarification; and focus on the future and long-term viewpoint.

For all four of these behaviors, the religion-related organization scored significantly lower on the mean score than organizations in the other six categories, while the public-societal benefit organizations scored significantly higher. Few board members from the public-societal benefit organizations commented on their implementation

experience, but those who did expressed strong support for the model despite concerns about maintaining continuity from year to year when board members are elected, and the difficulty of bringing a new CEO up to speed on Policy Governance. However, board members from the religion-related organization had a great deal to say about the challenges of adopting the model to churches. For example, one member stated that defining “CEO” was a challenge. According to the respondents, this organization “tweaked” the model by appointing an Executive Team composed of the minister, office administrator, treasurer, and two lay persons, and this team functions as the CEO and speaks with one voice. Respondents found it a challenge to educate the congregation about the model, and as a result, the board spends a considerable amount of time in meetings on reports from the Executive Team “so as to be knowledgeable” when talking with congregation members. Several members expressed that they didn’t feel “settled” in the model yet, and needed more training with the congregation and lay leaders, although commitment was high. Another commented that ends were difficult to establish since the entire congregation participates in the mission decisions. A board member expressed, “I think we’d all love to see John Carver develop the model to consciously apply to churches, including the role of the minister, who may or may not be the CEO, how to use an Executive Team, and how to explain the model to an involved, hands-on congregation.”

The fifth behavior that differed significantly between different mission categories concerned proactive agenda setting, rather than approving management decisions. Interestingly, organizations in the education mission category scored the lowest on this item. Many of the organizations in the sample were school boards, and the fact that members are elected adds complexity to implementation. One member states, “because new and existing board members are elected, individual board members do not have to buy into those same governance models. Individual board members can destroy the efforts of an entire district by micro-managing and trying to monitor or control day-to-day

operations behind the scenes or at the board table.” A member of another school board writes, “The biggest frustration has been that the CEO has taken advantage of us not thinking of every limitation and has made major decisions without informing us.” Elected boards that must respond to a public agenda need to carefully consider their board roles, their relationship with the CEO, and their responsibility to the public to a greater degree than boards of directors in other mission categories.

It must be noted that a few of the categories had a very small N, so that the results must be interpreted with great caution. However, the results are interesting, and merit further analysis with a greater number of organizations. At this stage, the evidence that implementation of the model can vary significantly across organizational types, and that certain behaviors reflect this variance more than others can alert potential Policy Governance boards to prepare more carefully for the contingencies that may affect the implementation of the model in their boards. It may also cause them to devise flexible solutions to those contingencies that are still within keeping of the model’s parameters.

Contextual Variables

The study examined eight contextual variables in relation to level of implementation of the Policy Governance model. The variables emanated from board governance or organizational effectiveness analyses or models different from Policy Governance. Only two of these analyses resulted in significant relationships. Both significant results point to a positive relationship between greater levels of implementation and more training and longer experience operating under the model. First, boards that received more hours of training in Policy Governance had significantly higher mean scores in the extent of implementation of the model. The relationship of training and development to improved board performance and organizational effectiveness is supported elsewhere (Brudney and Murray, 1998; Holland and Jackson, 1998). Herman, Renz and Heimovics (1997) found that the use of recommended board practices, of which orientation of new board members was included, is strongly related to

judgements of greater board effectiveness by several types of stakeholders. However, no studies reviewed pointed to a direct connection between the hours spent in training in a particular model, and the extent to which it is then implemented. For this sample of board members, the relationship between the two variables was significant at the .002 level.

This finding supports the contention by Carver (1996, Carver and Carver 1997) and Oliver (1999) that implementation of the Policy Governance model requires preparation. The first of nine recommended steps to implementation of the model is “Be sure that board members and the CEO understand the model” (Carver, 1996, p. 21). Carver emphasizes that boards must understand the theoretical principles of the Policy Governance model (Carver and Carver, 1997). Oliver (1999) recommends that someone well-versed in the model give the board a good introductory session.

The survey respondents also support the importance of training, particularly for new board members. One writes, “Training new board members on their roles prior to introducing them to Policy Governance is the most important thing to ensure success!”(emphasis in original) Another states, “It takes constant review of the principles of the Carver method on the part of ‘older’ board members as well as thorough training of new board members to get everyone to be on the same page.” More than any other topic, comments about training, orienting new members and CEOs to the model, and the importance of knowing the principles were recorded on the questionnaires. The significant relationship reported here supports the application of time and resources to training and the connection between that investment and greater levels of implementation of Policy Governance.

The other significant result among the contextual variables tested is that the longer organizations had been operating under Policy Governance, the greater the level of implementation. Other factors probably contribute to this relationship, since Carver recommends, and board members commented, that refresher training and continuous assessment of operation of the model is necessary to maintain its level of functioning over

time. Carver notes that a high level of board discipline is required by Policy Governance, and that board members can benefit from continuing education in governance.

For these boards, training does appear to be worth the expense and effort. Boards that spent more time being trained, who adopted training and orientation routines (such as reviewing Carver Guides at every meeting, as one chairperson reported), or where board members experienced in the Policy Governance model mentored new board members generally recorded more positive comments about the model. In addition, comments revealed that board members recognized the need for continuous training on the Policy Governance model. Overall, in this sample of boards there is a significant, positive relationship between the number of hours of training board members received and the level of implementation of the model.

Board Performance

The study confirms a relationship between implementation of a specific board governance model and board members' perception of improvement in board performance. The relationship was significant at the .01 level. The relationship between CEOs' perceptions of improvement in board performance and the mean of the implementation scores of Policy Governance at the organization level was significant at the .05 level. In this analysis, the relationship between board members' implementation scores and board members' perception of improved board performance was stronger than that between the measure of implementation and either CEOs' or chairpersons' perception of improved board performance. In contrast, Herman, Renz and Heimovics (1997) and Green and Griesinger (1996) found that CEOs' assessments of board performance and organizational effectiveness were stronger than board members or other constituents. The difference may be due to the fact that Policy Governance is a strong-board model. Particularly in implementing the model, the board should be steering, not the CEO. Carver writes, "Policy Governance is designed for boards, not for CEOs. Governance renewal is the responsibility of boards, not of CEOs. One of the tenets of Policy Governance is that the

board must not default to the CEO in the determination of its job” (Carver, 1997). Carver makes it clear that board members’ being responsible for board effectiveness is the only path to governance integrity. The Governance Process policies put board members in charge of their own effectiveness and behavior, therefore it is not surprising that their perception of the relationship between implementation of the model and improved board performance is statistically significant to a greater level than CEOs.

Effectiveness of Policy Governance Organizations

The relationship between the extent of implementation of the Policy Governance model and board members’ perception of the extent to which the board had improved its performance in goal achievement since adoption of the model was significant at the .001 level. The goal achievement questionnaire item was adapted from a study by Brudney and Murray of 851 Canadian nonprofit organizations (1998). Their results showed a significant difference between the mean score on this item for boards that had undergone a planned change effort versus the mean score for boards that had not. That study found relationship between board change activity and the perceived outcome of improved performance in goal achievement. This dissertation study confirmed a relationship between board development and organization effectiveness insofar as the extent of implementation of a planned board change (Policy Governance) was correlated with perceptions of improvement in the organization’s ability to achieve goals.

In addition, the result that goal achievement measures proved to be significantly related to the extent to which organizations implement a set of board governance practices, and distinguished differences between the experimental sample (Policy Governance) and one control sample, illustrate the value of this construct of effectiveness. Goal achievement measures would appear to be a robust indicator of organizational effectiveness for nonprofit organizations, and should continue to be explored in future studies as in previous research (Lillis and Shaffer, 1977; Glisson and Martin, 1980; Bradshaw, Murray and Wolpin, 1992; Green and Griesinger, 1996; Sheehan, 1996;

Other statistically significant relationships shed some light on the CEOs' attitudes toward the model. Analyses of the mean scores on the internal process scale and the job satisfaction scale demonstrate that CEOs in the sample hold a favorable position toward operating under the Policy Governance model. CEOs feel to a great extent that they can make reasonable interpretations of the board's policies, that board members keep out of day to day concerns, that role divisions are honored, and they have the information they need to effectively manage the organization. They are very satisfied with the amount of authority and responsibility outlined by the board, their opportunities to do creative work, with the amount of discretion to solve problems in their own way, and the role division between themselves and the chairperson of the board.

There is some degree of correspondence between the internal processes that the CEOs indicate are occurring to a great extent and aspects of their jobs for which they express great satisfaction. For boards who do not operate under Policy Governance, it is telling how highly (mean scores over 4.0 on a 5 point scale, signaling "great" to "very great extent") CEOs rate certain aspects of internal procedures, such as having discretion to make reasonable interpretations of board policies, and board members keeping out of day-to-day management concerns. It is also reflective of the fact that board members are keeping up their end of the model in order for CEOs to make these observations. In addition, CEOs' ratings of improved performance of the board since adopting the model are strongly correlated with internal processes (.686, $p < .01$) and job satisfaction (.534, $p < .01$).

On the low ends of these scales (means less than 3.5 on a 5 point scale, signaling "some" to "moderate" extent) however, the mean scores of four items raise concerns for those who are concerned with monitoring and board self-assessment issues. For example, on the internal process scale, the two lowest scoring items pertained to performance assessment of the organization (3.31 on a 5 point scale) and the board assessing its own

performance (2.93). CEOs feel that their board does these activities to only a moderate extent. These ratings correspond with a finding from a study of Policy Governance Trainer-consultants (Brudney and Nobbie, in press). In that study respondents rated Policy Governance practices and concepts according to how difficult they thought each was to understand and implement. One of the items rated most difficult was “Monitoring organizational performance against board criteria.”

CEOs also do not appear satisfied with the procedures used to assess their performance and are neither satisfied nor dissatisfied that the board is knowledgeable about the performance of the organization. In Policy Governance, these two aspects of performance are related. Carver states, “Organizational performance and CEO performance are one and the same. Evaluation of one is evaluation of the other. Accountability is gravely damaged when the two are viewed differently” (Carver, 1990, p. 124). CEOs apparently feel that board members do not evaluate the performance of the organization or the board to a great extent. In addition, they express only moderate satisfaction with the extent to which it is accomplished. However, the CEO is responsible to the board for reporting on the activities he or she has accomplished toward fulfilling the ends that have been determined. Therefore, if CEOs are not satisfied with the board’s knowledge of the organization’s performance, is it because they are not providing the board with adequate information that would enable board members to assess the organization’s performance? Or is it because the board is not listening, or reacting in an purposeful way to information on performance presented by the CEO?

The Policy Governance model would appear to offer a direct method for evaluating performance of the board, the CEO and the whether the organization has accomplished the ends—decide what the criteria are, and monitor the board’s and CEO’s behavior against that criteria. Determine the ends of the organization, and the means that are unethical, imprudent and illegal for the CEO to use to accomplish those ends, and monitor the CEO against those established ends and limited means. As “neat” and clear

cut as this approach sounds, it is apparent that monitoring performance against criteria is still a problematic concept for boards to embrace. In light of that observation, it is not surprising that there is a very weak relationship between the extent to which Policy Governance is implemented and chairpersons' ratings of the CEO performance and the extent to which CEOs work toward the goals of the organization without violating the organization's policies.

Comparative Organizational Effectiveness

The results of the analyses of comparative organizational effectiveness respond to a particularly important concern. Does effectiveness hinge on the implementation of Policy Governance specifically, or are similar effectiveness results realized in organizations that use any other models of governance?

Two of the five analyses produced significant results for the comparison between effectiveness measures in Policy Governance organizations versus the randomly selected organizations. The mean scores of improvement in performance of the organization in achieving goals ($F=5.295$, $p<.022$) and CEO job satisfaction ($F= 3.973$, $p<.047$) for Policy Governance organizations were significantly higher than organizations whose governance practices are unknown (random sample). There was however, no significant difference between the effectiveness measures recorded for Policy Governance organizations and organizations that had received board development training from the National Center for Nonprofit Boards. In these effectiveness comparisons, the mean scores of CEOs of Policy Governance organizations were lower than the mean scores of the NCNB CEOs in analyses of goal achievement, financial ratios, and resource acquisition, but not for measures of internal processes and job satisfaction.

These results appear to support the findings of Brudney and Murray (1998) that no one model or combination of models (including Policy Governance) proved to be more strongly associated with perceived success of a board change effort than any other (p. 343). A limitation of that study was in not having data on the extent to which any

particular model was in force. The present study strengthens the findings by providing evidence on the extent to which Policy Governance behaviors were in place in the boards of directors. Although there was no in-depth analysis conducted of the extent to which NCNB organizations had faithfully adopted board governance practices recommended by the National Center for Nonprofit Boards, the organizations, by virtue of their inclusion in the study sample, had participated in a board assessment or development effort with the NCNB consultants in the three years prior to this dissertation research.

It is also possible that the CEOs of the Policy Governance boards may have overstated the extent to which they, and the organization they manage, adhere to Policy Governance practices. Like board members, CEOs may have sunk costs in terms of their investment in the model. Given this possibility, the fact that there are no significant differences between the effectiveness measures of Policy Governance boards and the boards trained by the NCNB lends further support to the conclusion that faithful application of any model may be more critical to effectiveness than the adoption of Policy Governance specifically. This analysis fails to show that adoption of the Policy Governance model leads to better results than any other model or set of board practices that a board of directors might follow.

Given results that do not demonstrate the superiority of the Policy Governance model over another governance practice, or over a sample of boards with unknown practices, the question arises why so many boards are drawn to the model and to making the serious investment of resources and energy necessary to adopt it successfully. One possibility is that the Policy Governance model promotes a very prescribed structure that provides direction in the ambiguous context of nonprofit board governance and behavior. Carver has developed numerous publications, tapes, books, and boards can subscribe to a newsletter that responds to frequently asked questions about the model-in-use. Boards of directors that feel the need to change their mode of operation, that are concerned about performance and effectiveness, and that want to accomplish their mission may seize on

the model because of the structure and guidance that it offers. It must also be recognized that use of Policy Governance may lend prestige to a board, particularly in Canada where it has been widely applied (comments from board member surveys). In this regard, the model serves a useful purpose in that it provides a widely published prescription for board practice. Whether that prescription is worth the considerable amount of time, training, and financial commitment in light of the results obtained in the comparative effectiveness analysis in this study is each individual board's decision to make.

Other Contributions to Nonprofit Research

Another important contribution to the field is the development of an instrument that can ascertain the extent to which board members, CEOs and chairpersons have implemented the Policy Governance model. The difficulty of distinguishing boards that have actually implemented Policy Governance from those that have not was noted as an important barrier to research by Carver himself (Carver, 1998). It is difficult to determine the putative outcomes of using Policy Governance, such as improved board performance and organizational effectiveness, without first establishing the extent to which a board behaves as a Policy Governance board. The survey items focused on behaviors, and measured the extent to which individuals in the organizations practiced those behaviors. Traditional behaviors were mixed with Policy Governance behaviors and the indicators assessing Policy Governance principles were phrased as accurately as possible in Policy Governance terminology. Board members' responses to these items were a measure of their familiarity with concepts associated with Policy Governance, as well as an indication of the extent to which they enacted certain governance behaviors. The instrument will undoubtedly be refined, but the analyses support its use as a functional assessment measure of the extent of Policy Governance practice in a set of diverse nonprofit boards of directors.

The second important contribution is that the research provides a detailed examination of the implementation of a board governance model in a diverse set of

nonprofit organizations. Many studies examined aspects of development of board governance practice, such as the use of planning committees (Siciliano, 1997), strategic planning (Smith and Shen, 1996; Bradshaw, Murray and Wolpin, 1992), planned intervention, and the motivations behind it (Brudney and Murray, 1998) and board self-assessment and planned development (Holland and Jackson, 1998). However, none of these studies examined a particular approach to board governance, measured the extent to which board members practiced behaviors associated with the approach, and then related levels of implementation of governance behaviors to factors influencing implementation, and board performance and ultimately organizational effectiveness.

An added contribution of the survey effort was eliciting data on performance and effectiveness from more than one type of respondent in each organization. Board members' views were sought because they shoulder the effort of Policy Governance implementation. CEOs' views on effectiveness were solicited to provide another perspective on changes in the board's performance, the organization's effectiveness, and the extent to which certain aspects of the Policy Governance model had been enacted. Chairpersons' views were solicited since they are in a position to provide general, authoritative information on the board's functions. In addition, chairpersons provided comparative views on change in board performance and goal achievement, as well as a rating of the performance of the CEO.

The need for incorporating observations from multiple members of an organization was recommended by Brudney and Murray (1998), whose study gathered data from CEOs alone. The present study enriches information about a particular board development process by evaluating data from multiple organization stakeholders who have varying perspectives on the change process and effects.

Limitations of the Study and Recommendations for Further Research

This study produced several interesting findings pertaining to factors that influence implementation of a particular model of board governance, effects on board performance,

organizational effectiveness, and comparative effectiveness between Policy Governance organizations and two control samples. Some of the findings are preliminary, due to small sample size, or limited data available to construct the measures of particular effectiveness frameworks. Some recommendations for improving, expanding or replicating the study are offered.

First, data were limited to subjective responses from several types of respondents. Although expanding respondents beyond CEOs is a strength of the study, collection of objective data, and expansion of the subjective data to include observations of board meetings, and interviews with board members or staff from the organizations involved would have strengthened insights into implementation of the Policy Governance model, and possible relationships with performance and effectiveness.

In addition, some effectiveness studies attempt to solicit the perspectives of multiple stakeholders, constituents or consumers of organizations' services. The Policy Governance model emphasizes the identification of "owners"—a group of individuals not at the board table, but on whose behalf the board governs. The board must "establish, maintain, clarify and protect" its relationship with the owners (Carver, 1996, p. 2). Policy Governance holds the board responsible for identifying the ownership, even though identifying them can be problematic - indeed Carver states that in the case of nonprofit organizations, "it is even likely that most owners have no idea they are owners" (Carver, 1990, p. 145). However, since Carver defines governance as "a "downward" extension of ownership not an "upward" extension of management" (Carver, in Foreword to Oliver, 1999, p. xvi), future research on organization effectiveness of Policy Governance should attempt to identify and elicit the perspectives of owners.

Finer financial measures may have yielded clearer relationships between financial status, Policy Governance implementation, and board performance and organizational effectiveness. The financial ratios employed here were marred by missing data or rounded numbers that may not have reflected an accurate picture of the organization's

financial standing. Future research should explore other financial measures, or other methods for obtaining them.

The instrument designed to elicit the perceptions of board members who are operating under the Policy Governance model shows promise as an assessment tool for measuring the extent to which boards of directors are actually behaving as Policy Governance boards. However, rigorous testing of the reliability and validity of the instruments was not conducted for this study. Further testing of the reliability and validity of this instrument, and the reliability and validity of the indicators utilized in the Organizational Performance instrument is therefore recommended. Reliability measures of the scales used to create the dependent variables and a discussion of the validity of the instruments are included in Appendix B.

As significant differences were produced between levels of implementation of the Policy Governance model between organizations in different mission categories of the National Taxonomy of Exempt Entities despite small N in certain categories, further study should be conducted in this area. A greater number of organizations needs to be solicited for the categories that generated significant differences such as public-societal benefit and religion-related. Impacts on implementation from boards with elected members would provide insight in maintaining the model when there is less control over board membership. In addition, a greater range of organizations in terms of size, revenue, and formalization (levels of hierarchy versus no hierarchy) should be solicited. This study had originally included smaller grassroots organizations that unfortunately decided not to follow through in their participation before data collection began.

Further exploration of the relationship between implementation of the model and the internal process and job satisfaction effectiveness frameworks should be conducted. Measures of internal processes and CEO job satisfaction appear to represent elements of the Policy Governance model that differentiate implementation results among organizations that practice it, and effectiveness results between different organizational

samples. There is an observed relationship between certain internal processes and CEO satisfaction in the Policy Governance sample. Policy Governance appears to promote internal procedures that foster CEO satisfaction, which may inform boards of directors in all types of organization that certain aspects of role division and discretion in decision-making are related to CEOs' satisfaction with their position.

Finally, aspects of CEO and organization performance monitoring require further data collection and analyses. Performance is a critical element in nonprofit research, and one of the central reasons for conducting this research. Responses of board members and CEOs on indicators representing aspects of monitoring performance indicate more development and competence with this aspect of governance is needed.

While further research is warranted—as always—this dissertation study of the implementation, board performance and organizational performance of the Policy Governance model extends our knowledge of nonprofit board governance, and in particular, enhances understanding of implementation of the Policy Governance model in nonprofit organizations.

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APPENDIX A

CONSTRUCTION OF INDEXES

Items Composing Traditional Board Behaviors Scale (Dependent Variable TRADMEAN)

Item #	Item
Q10A	The board recognizes in a general way that it represents some constituency.
Q11A	The board prescribes in its bylaws or personnel policies what the CEO and staff shall do.
Q15A	The board makes managerial or operational decisions.
Q17A	The delegation of duties between the board and CEO is inconsistent, unclear and unproductive.
Q21A	The staff makes most decisions with approval or permission from the board.
Q22A	The board rarely has the right amount or type of information it needs to make decisions.
Q23A	The board is preoccupied with day-to-day concerns.
Q25A	The board continually monitors staff work, and is inconsistent between tight and loose control.

Source: Policy Governance Implementation Survey

Items Composing Policy Governance Implementation Scale
(Dependent Variable PGMEAN)

Item #	Item
Q8A	The board speaks with one voice.
Q9A	The board focuses on comprehensive policy development.
Q12A	The board monitors staff or budget plans against board criteria.
Q13A	The board has a policy that specifically addresses what benefit is to be received by which recipients at what cost.
Q14A	The board guides leadership and allows control of management through executive limitations.
Q16A	The CEO has discretion to act within the limits set by the board.
Q18A	The board's thinking is focused on the future and the long-term viewpoint.
Q19A	Board's policies specify who the board represents, what products it requires and how it will operate.
Q20A	The board evaluates the performance of the CEO only against ends and executive limitations policies.
Q24A	The board has defined its role, the role of the CEO, and the relationship between the CEO and the board.
Q26A	The board proactively sets its own agenda, rather than approving management decisions.
Q27A	The board has committed to establish, clarify and protect its relationship with the owners it has identified.

Goal Achievement Indicators

Item 1: To what extent do you feel the organization is achieving the goals the board has established?"

(5 point scale from [1] "No extent" to [5] "Very great extent")

[Item on Organizational Performance Survey, CEO Policy Governance Organizations and Organizational Performance Survey, CEOs of controls samples]

Item 2: "On a scale of 1 to 9, where [1] means "Worsened Greatly," [5] means "Remained the Same," and [9] means "Improved Greatly," would you say that over the past five years, *the performance of this organization* in attempting to meet its goals has worsened, remained the same, or improved?"

[Item on Policy Governance Implementation Survey; Organizational Performance Survey, CEO Policy Governance Organizations and Organizational Performance Survey, CEO of controls samples.]

Resource Acquisition Indicators

"For the past five years, please provide in the spaces below:

(A) The total revenue for the organization, including grants, donations and all income.

(B) The total organization expenditures for the same year.

1995	1996	1997	1998	1999
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[Item on Organizational Performance Survey, CEO Policy Governance Organizations and Organizational Performance Survey, CEO of controls samples.]

"In the past five years, to what extent has your organization been able to acquire the resources it needs from the external environment?

Five point scale from [1] "No extent" to [5] "Very great extent."

[Item on Organizational Performance Survey, CEO Policy Governance Organizations and Organizational Performance Survey, CEO of controls samples.]

Internal Process Model Index

Item #	Item
24	To what extent does your board speak with one voice to the outside world despite internal disagreements?
25	To what extent does the board give instructions only to the CEO and not to other staff or volunteers?
26	To what extent are you allowed to make reasonable interpretations of the board's policies?
27	To what extent do board members keep out of day to day management concerns?
28	To what extent does the board assess its own performance?
29	To what extent does the board assess the performance of the organization toward accomplishing its ends?
30	To what extent is the organization able to maintain its performance level during changes in board membership, chairpersons, and/or executive directors?
31	To what extent do you have the information you need to effectively manage the organization?
32	To what extent is your board satisfied with the reports you provide to the board in line with their requests?

Five point scale from [1] "Not to any extent" to [5] "Very great extent"

[Item on Organizational Performance Survey, CEO Policy Governance Organizations and Organizational Performance Survey, CEO of controls samples.]

Job Satisfaction Model Index

Item #	Item
14	How satisfied are you with the way your board operates?
15	How satisfied are you with the organization's ends policies?
16	How satisfied are you with the delegation of responsibility between you and the chairperson of the board?
17	How satisfied are you with the amount of authority and responsibility outlined for you by the board?
18	How satisfied are you with the procedures the board uses to monitor your performance?
19	How satisfied are you that the board is knowledgeable about the performance of the organization?
20	Overall, how satisfied are you with the work you are doing for this organization?
21	How satisfied are you with the discretion you have to deal with problems in your own way?
22	How satisfied are you with the opportunities you have to do creative work in terms of programs and services?
23	How satisfied are you with the opportunities you have to do creative work in terms of management and structure?

Five point scale from [1] "Very dissatisfied" to [5] "Extremely satisfied"

[Item on Organizational Performance Survey, CEO Policy Governance Organizations and Organizational Performance Survey, CEO of controls samples.]

CEO Performance Indicator

“As the chairperson of the board, how would you rate the performance of your CEO in terms of his/her ability to work toward the goals of the organization without violating the organization’s policies?”

5 point scale from [1] “Not at all Effective” to [5] “Extremely effective”

Rated by chairpersons of Policy Governance organizations only.

APPENDIX B

RELIABILITY OF SCALES

Four indexes were constructed to create dependent variables for testing certain hypotheses. Cronbach's alpha, one of the most common methods of determining internal consistency, was calculated for each scale to determine whether the level of inter-item consistency supports their combination into a composite score or scale. Below is a brief description of each scale and its corresponding alpha.

- PGMEAN: Twelve items representing board governance behaviors associated with the Policy Governance model.
Standardized item alpha = .7302
- TRADMEAN: 8 items representing board governance behaviors associated with traditional governance models
Standardized item alpha = .6498
- JOBSAT: 10 indicators of job satisfaction from a CEO's perspective
Standardized item alpha = .9139
- INTPRO: 9 indicators of the internal processes and procedures of an organization—information flow, division of labor, etc.
Standardized item alpha = .8331

The alpha scores indicate that the items in each scale have strong internal consistency, and therefore, can be used with reasonable confidence as dependent variables.

As recommended in the "limitations" section of this dissertation, refinement of the instruments is recommended, and further analysis of the reliability of the measures is an important aspect of instrument development.

Validity

The evaluation of validity is concerned with establishing evidence for the use of a

particular instrument in a particular setting. Validity is established through several approaches, and only one type of evidence alone is not sufficient for establishing validity. Four different types of evidence for validity, and their application to the survey instruments used in this study are described below.

Face Validity

An instrument has face validity if the content appears to be appropriate for the purpose of the instrument. In the case of the Policy Governance implementation questionnaire (from which the PGMEAN and TRADMEAN scales were derived) indicators of these scales represent understandings of behaviors that are associated with the Policy Governance model and traditional board models. The JOBSAT and INTPRO scales represent indicators of job satisfaction and commonly associated internal organization procedures.

Content Validity

Content validity refers to the actual content of the indicators, and addresses whether the indicators are representative of the concept being measured. Content validity is established by forming a definition of the concept, conducting research to determine how the concept is represented in the literature, generating potential items and gradually reducing the items to improve the representation. The indicators for the Policy Governance implementation instrument were based on review of Carver's writings and his definitions of the components of the model. Great care was taken to keep the wording of the indicators close to Carver's own formulations. Then Carver himself reviewed many of the items for clarity and accuracy to his Policy Governance model. In addition, another researcher who has conducted numerous studies on board governance and who is familiar with the Policy Governance model reviewed the items.

The JOBSAT indicators were drawn from previously published job satisfaction scales, and the reliability and validity of these scales had been previously established (Robinson, Athanasiou, and Head, 1969). The INTPRO indicators were constructed

similarly to the indicators of board behaviors. The content of indicators was drawn from Carver's literature on the Policy Governance model, as well as from research in the nonprofit field regarding recommended governance practice.

Further analyses of validity is needed in order to refine these instruments. Despite the barrier that prior empirical research on the Policy Governance model had not been conducted, and the instrument developed for the dissertation study is the first to assess aspects of the model-in-use, Carver asserts that the Policy Governance model is theory-driven. Therefore, possibilities exist for examining the Policy Governance Implementation instrument against the theory which would provide convergent evidence of validity. The opportunity also exists to test these measures against traditional board assessment instruments such as the Board Self-Assessment Questionnaire (Holland, Blackmon and Associates, 1994) or the Board Self-Assessment instrument published by the National Center for Nonprofit Boards to assess criterion-related validity.