

**Building the Capacity of Governance
Volunteers:
Giving Meaning to Governance**

A Review of Governance Literature

Anita Angelini

September 2005



This booklet is part of a research project funded through a
Community Support Centre Grant from Volunteer Canada and Canadian Heritage



We acknowledge the financial support of the Government of Canada through the Department of Canadian Heritage. The opinions expressed in this publication do not necessarily reflect those of the Department of Canadian Heritage.

Nous reconnaissons l'appui financier du gouvernement du Canada par l'entremise du ministère du Patrimoine canadien. Les opinions exprimées dans cette publication ne reflètent pas forcément celles du ministère du Patrimoine canadien.

Canada

Table of Contents

TABLE OF CONTENTS	3
INTRODUCTION	5
PURPOSE OF THE LITERATURE REVIEW	6
THREE FOCUS POINTS	7
DEFINITIONS OF GOVERNANCE AND OTHER TERMS	7
FOCUS ONE: FOR-PROFIT – NONPROFIT COMPARISONS	10
BOARD MEMBER CHARACTERISTICS & MEASUREMENTS	14
RESPONSE TO CRISES	15
RESPONSIBILITY FOR ORGANIZATIONAL PERFORMANCE	16
NORMATIVE GUIDELINES	17
OVERVIEW OF THEMES IN LITERATURE	21
FOCUS TWO: TEN PERSPECTIVES THROUGH WHICH GOVERNANCE MAY BE INTERPRETED	23
GOVERNANCE AS REPRESENTATIVE OF THE HISTORY AND NATURE OF THE NONPROFIT SECTOR	25
GOVERNANCE FROM AN OWNERSHIP PERSPECTIVE	29
GOVERNANCE VIEWED AS LEADERSHIP	32
GOVERNANCE AS A DECISION-MAKING VEHICLE	33
GOVERNANCE AS A FORMAL VS. INFORMAL ACTIVITY & GOVERNANCE AS A STRUCTURE AND CHANNEL FOR ORGANIZATIONAL ROLE DEFINITIONS	35
GOVERNANCE AS VIEWED FROM BEHAVIOURAL THEORY	38
GOVERNANCE AS DEALING WITH CHANGE VERSUS EPISODIC PROBLEMS	42
GOVERNANCE AS A STRENGTHENING RESOURCE TO BE USED BY MANAGEMENT	43
GOVERNANCE AS A MEANS OF PROTECTING THE NONPROFIT ORGANIZATION	43
FOCUS THREE: DEFINITIONS AND ASSUMPTIONS: GOVERNANCE, BOARD MEMBERS, BOARD	44
IDENTITY AND MEANING REVISITED	45
CRITICAL SOCIAL THEORY	45
EPISTEMOLOGY AND ONTOLOGY	48
PERSONAL AND GROUP EXPERIENCE	49
PERSONAL AND GROUP PERCEPTION	49
STRUCTURALISM	50
BOARD AS DECISION-MAKING ACTOR	50
PERSONAL AND GROUP-DECISION MAKING	51
COGNITION	53
COGNITION AND SOCIAL CONSTRUCTION	54
CONCLUSION	56

REFERENCES

Building the Capacity of Governance Volunteers: Giving Meaning to Governance Literature Review

Introduction

The purpose of this literature review is to situate and support the research of the Building Capacity of Governance Volunteers project. The project is hosted by the Institute of Nonprofit Studies at Mount Royal College with funding from the Community Support Centre, Volunteer Canada.

The project is premised on the idea that the capacity of governance volunteers serving on boards of directors is challenged by:

- increased demands for accountability both vertically (to government authorities, funders, etc.) and horizontally (to clients, staff, individual donors, and the community);
- increasingly complex and complicated operational environment due to regulatory changes, shift in social policy, and challenges in hiring, retaining, and nurturing employees;
- lack of clarity about the roles and responsibilities of the board relative to the external world that is the community, and the internal, operational world of the organization.

Added to this is a growing expectation of governance volunteers to exercise their fiduciary responsibilities in service of the charitable purpose of the organization. Lacking is an approach to build the capacity of governance volunteers to work effectively across a number of domains.

Analysis of board behaviour and conduct, in relation to board “effectiveness”, tends to focus on: board structure, which includes board size, composition, job description; and process, which is inclusive of conflict handling, meeting practices, and the skill mix of board members (Cornforth, 2001).

While important, these competencies do not touch upon how governance volunteers need to understand and internalize what their role signifies and means. The pilot would use a peer learning circle approach (e.g., Suda, 2001; Wade & Hammick, 1999; McGill & Beaty, 1993) implemented by the Institute for Nonprofit Studies with Executive Directors (Seel & Angelini, 2004) to explore the deep issue of what it means to be a governance volunteer. Using an intensive and facilitated process, a peer learning circle of 10-12 governance volunteers would explore dimensions of governance in light of the complex context within which governance of charitable organizations takes place.

Purpose of the Literature Review

The purpose of this review of literature from practitioner and scholarly-based sources is threefold:

- (a) to understand what research has already been conducted on the way governance volunteers give meaning to governance in charitable organizations;
- (b) to review the literature that exists on more generalized topics of governance, board of directors/trusteeship, organizational development, volunteer motivation, human resource development, and other relevant themes; and,
- (c) to make recommendations for the process, themes, and structure that will guide the peer learning circle approach for the project.

Three Focus Points

This review includes a discussion of three focus points. Each point of focus forms a basis for understanding why it is beneficial to the sector and sector partners to learn more about the way board members give meaning to governance.

1. Focus One: For-profit & nonprofit comparisons. Much of the literature on governance spotlights the need for accountability and transparency of governing boards within the sector. This literature is rooted in a comparative perspective which applies the experience and norms of the for-profit sector to the nonprofit sector.

2. Focus Two: Ten perspectives through which governance may be interpreted. Within the literature available there are many sources which detail what boards should do in terms of task and process. These sources include very little, if any, discussion about why or how boards come to determine whether they are a *governing board*, and if so, *how they will work*. This section of the review will showcase ten perspectives through which governance can be understood.

3. Focus Three: Lack of a unified definition of governance. Governance as a concept holds a variety of meanings depending on who is articulating the definition. Within this exploration will be a comparison of how information about board members, the board, and governance are framed by board members and observers of boards.

Definitions of Governance and Other Terms

One result of the literature review process is the observation that there are conflicting definitions and assumptions made for the terms: governance, board members, and board. For example, the words governor, trustee, director, board member, board

volunteer are terms which are used interchangeably to refer to individuals who constitute board membership.

The cross-section of practitioner-based and scholarly literature also presents multiple representations of each concept. It is entirely possible, then, that a governance volunteer could experience confusion or could adopt multiple perspectives that are 'situated' in experience or contextualized about what governance means. What this realization requires of the research project is that a common language, definition set, and clarified assumptions are established, revisited, and upheld regarding governance, board members and boards.

Getting to the definitions may be a challenge. Within the literature there are examples of assumed definitions and examples of proposed definitions. Assumed definitions include the uses of the word governance without clarifying the meaning of governance. The following excerpts from the literature are evident of the assumption that governance is a widely but inconsistently understood term:

"Governance can best be defined as the systems and processes concerned with the overall direction, effectiveness, supervision and accountability of an organisation" (NCVO, 2005, Section 2, par. 2.1).

"The active oversight of organizational governance by the board of directors is what we refer to as stewardship. It is the duty of the board to oversee the conduct of the organization's affairs, ensure that an effective team is in place to carry out day to day activities, account for its financial and other resources, and ensure that no issue falls between the cracks in steering the organization toward the fulfillment of its mission" (PAGVS, 1999, p.23).

"Boards of nonprofit organizations perform important governance and legitimation functions" (Abzug, 2001, p. 51).

"Be it a for-profit corporation or a not-for-profit credit union, governance has a tremendous effect on how an organization is run and its ultimate success" (Daigneault, 2005, p. 60).

"There is no reason to pretend that all directors actually govern, nor is there a reason to ask or expect them to" (Klausner, 2005, p.44).

“By law, every nonprofit must have a governing board. As the name indicates, the role of the board is to govern the organization” (BoardSource Website: Difference Between Governing Board and Advisory Board).

“Governance: The job of the governing board” (Carver, 2000, p.15).

“instead of doing the ‘managing’ itself, the board is responsible for ensuring excellent, or at least adequate, management of the organization. Therefore, the most important decision a board makes is the selection of the organization’s top executive” (SCORE, n.d., *What is the Role of the Board*)

“When we distill the organization research concepts that are most germane to the world of nonprofit boards, the result is a core typology that emphasizes two dimensions: strategic focus and stakeholder engagement. This is because, when designing a nonprofit board, there are two central questions to address: *What is the work this board needs to accomplish to meet the needs of this organization? How do we best connect this organization to the community and its most important constituencies?*” (Renz, 2004, *Two Primary Dimensions*)

“It is the responsibility of local nonprofits—if they are serious about representing and responding to constituent interests—to have governance mechanisms that can convene the individuals they are established to serve with other stakeholders, engage them in dialogue with the organization and one another, develop a collective dream of the future or vision of what can be accomplished, and develop strategies that will take the group from here to there” (McCambridge, 2004, p. 352).

“Effective governance by a board of trustees is a relatively rare and unnatural act (Chait, et. al., 1996, p. 1)”.

“To achieve governance all three modes [fiduciary, generative, strategic] need to be actively pursued by the board” (Chait, et. al., 2004, p. 8).

“In theory, if not in practice, boards of trustees are supposed to be the ultimate guardians of institutional ethos and organizational values” Chait, et. al., 2004, p.3).

“The board as the mechanism through which strategic-issue processing occurs” (Forbes & Milliken, 1999, p. 492).

According to SCORE (n.d.) the first function of a board in a governance role is to protect the public interest and it does so through the application of oversight, evaluation, information gathering and communication between the nonprofit organization and the public (*Serving on a Nonprofit Board of Directors*, n.d., The Role and Functions of the Board Section).

Proposed definitions of governance already included in the literature may provide the research project with a constructive opportunity to encourage participants to examine the nuances of governance. Here are some notable examples:

“Governance is the art of steering societies and organizations” (Gill, n.d., Institute on Governance Website).

“Governance has as its goal protection of the public interest” (Masaoka & Allison, 1995, *What is Governance?*).

“Governance is governance” (Dayton, 2001, p.6).

If we are going to use the term governance, for the purposes of the research project, a definition of governance must be attempted that is consistent and agreed upon with the participating nonprofit organizations.

Focus One: For-profit – Nonprofit Comparisons

The Construction of Identity and Purpose

To come to terms with what the nonprofit sector is about and what nonprofit organizations should focus energy on, much of the literature emphasizes a comparison of for-profit sector behaviour and issues with nonprofit sector behaviour and issues (e.g., Daigneault, 2005; Klausner, 2005; Monroe, 2004; Miller, 2002; Renz, 2004; Waters, 2001). Brainard and Siplon (2004) identify a nonprofit organizational role, one of which is known as the economic model, that may permit some understanding as to why nonprofit organizations are compared to the for-profit organizations. The assumption of the economic model is that “...all organizations, whether public, private, or nonprofit, are relatively similar, rational systems...” (Brainard & Siplon, 2004, p. 438). In turn this implies that “nonprofit organizations have learned from private sector firms, and the economic model thus envisions nonprofits as simply another type of business firm with a mission to respond to market failures and demands” (Brainard & Siplon, 2004, p. 438).

While it is difficult to pinpoint precisely if the comparison between sectors is appropriate or not, for-profit practices have long been turned to as the best practices for nonprofit organizations to follow. When crises hit the for-profits, the critical eye of the public begins to transfer the examination of similar issues to the nonprofits. For example, the

Spring edition of 2004 *Leader to Leader* presented an article that begins with the following: “Although the problems of for-profit board of directors at companies such as Tyco, Enron, and Worldcom have lately grabbed all the headlines, nonprofit boards are not immune from difficulties” (Monroe, 2004, par. 1). It follows with: “...the problems of nonprofit boards can often be traced directly to the participation of board members who come from the for-profit sector” (Monroe, 2004, par. 2). That is to say the authors support the notion that board members with for-profit experience *are* contributing to poor nonprofit board performance. If this is the case, an interesting question for further exploration is *why* is this the case? It may be possible that organizations and boards within the nonprofit sector have *not* formed their identity and purposes as something independent of the for-profit experience.

There is little by way of literature that confirms the suggestion made in the *Leader to Leader* article that for-profit executives working on nonprofit boards are contributing to poor nonprofit board performance. As cited in Brown (2005, p. 318), Herman and Renz (1997) have suggested that performance is “socially constructed” and that there would be variations of interpretations on performance success based on to whom the question was being posed. We will return to the theme of ‘socially constructed understanding’ later in this literature review.

McFarlan identifies the following differences in the characteristics of nonprofits and for profits operations that impact the way performance is considered (McFarlan, 1999, pp. 65-80):

how the for-profit and nonprofit sectors develop and evaluate their missions;

how financial considerations impact the mission development and organizational sustainability;

assessing the contributions of the organization (measuring the service that a nonprofit gives to its constituencies vs. measuring performance outcomes of for-profit entities);
the manner in which loss or financial struggle is interpreted (in the for-profit sector it could mean selling or shutting down the business but in the nonprofit sector the 'loss' could form the *raison d'être* of the organization);
the nuance of selecting a CEO for a nonprofit which is different than the selection criteria of the for-profit environment (e.g. more art than science for a nonprofit);
the structures and sizes of boards;
the use of committees (e.g. nonprofit organizations may have committees that assess the qualitative contributions to the organizational mission whereas for-profit organizations do not);
being a board member in the for-profit sector is predictable and in the nonprofit sector it is unpredictable. Compensation for being a board member is just as different with little or no compensation existing in the nonprofit world;
A similarity between nonprofit and for-profit boards is that board members will encounter conflict (McFarlan, 1999, p.79).

The bottom-line of McFarlan's stance is that "most business people will serve on the board of a nonprofit organization at some time. The experience they gained as businesspeople, however, will not fully prepare them for their new role" (McFarlan, 1999, p. 65). He essentially confirms that the transition from the for-profit sector governance practice to nonprofit sector governance is difficult, complicated, and that there could be, as he terms it, 'calamitous' results for a nonprofit organization if a for-profit executive fails to recognize the differences between the two governance worlds when accepting a board role within the voluntary sector (McFarlan, 1999, p.66). Austin (1998) concurs with McFarlan (1999) in his exploration of areas that nonprofit organizations need to

spend time on in order to improve the performance of the business board member, “the organizational environment and decision-making process that they are used to are often quite different from those of the nonprofits” (Austin, 1998, p. 49).

In contrast with the Leader to Leader piece, the Independent Sector has kept its focus on the actions of the charitable community when addressing accountability issues.

Similarly, though, the recommendation made is that the nonprofit sector as a whole must address issues that have arisen from the erosion of public trust in recent years. In the viewpoint of the Independent Sector, the actions “of some” individuals or organizations within the charitable sector has led to this requirement (*Accountability Overview*, 2004, par. 1). This statement does not give us any detail in terms of identifying the characteristics of the individuals within the sector who have given rise to the erosion of public trust. That is to say we do not know if these actors are from for-profit communities and acting in the nonprofit community in an inadequate manner or if these are individuals who do not refer to the corporate sector experience to inform their practices in the nonprofit sector. The statement by the Independent Sector, however, indirectly infers that there exists a general societal awareness of the opportunity for public distrust within the sector.

On the Independent Sector’s website it is stated that, “Public trust is the single most important asset of the nonprofit and philanthropic community. Without it, donors will not give and volunteers will not get involved” (*Accountability Overview*, 2004, par. 1). This perspective highlights that the viability and sustainability of the charitable organization relies on the mechanics of raising money and supplying sufficient human resources to assist with achieving the organization’s purposes. The Independent Sector frames accountability in terms of consequences and longevity of organizational life whereas the

Leader to Leader perspective frames accountability in terms of who participates in governance. Among the nine recommendations for demonstrated accountability by the Independent Sector are the calls to action for the creation of a culture of accountability, the adoption of a code of ethics, and the development and commitment to a conflict of interest policy (*Accountability Overview*, 2004, Accountability Section, Checklist for Accountability). There is not a call for boards to determine what governance means or how they will govern as a means of achieving greater accountability.

Board Member Characteristics & Measurements

Masaoka and Allison (1995) also compare the work of for-profit boards to nonprofit boards in *Why Boards Don't Govern*. Masaoka and Allison point out that board members in both sectors share the dynamics of being busy, lacking exposure and understanding of the field in which they are governing, and lacking skills as managers (Masaoka & Allison, 1995, p. 3). These dimensions under which board work and governance occurs are influenced by the obstacles and constraints that the board members identify with. Masaoka and Allison (1995) suggest that these characteristics, holding for the idea that they are the same for board members in both sectors, are not drivers or inhibitors of governance behaviour (p.4).

Another suggestion the authors make is that governance is slightly easier in the corporate realm because there are two measures conveniently available for their review: profit and market share. Nonprofits differ from for-profits in terms of measures of success in that the tangible and intangible outcomes and impacts are much more difficult to measure (p.3). The principle focus is that of the outcomes of governance. To this end

measurement is important in both sectors although *what* is measured for the purposes of determining success or effectiveness is unique to each.

Response to Crises

Another theme emerging in the literature comparing the sectors is that of corruption and scandal. The concept of effective governance and the role of governing boards in for-profit and nonprofit organizations have catapulted into the public spotlight following recent high-profile scandals in both sectors; some examples follow below. Responses to these organizational crises have generally led to erosion in the confidence of governing boards by practitioners and critics across many fields as well as the general public.

Schmidt (2003) draws attention to the ways nonprofit organizations must attend to recent governance scandals in the for-profit sector:

Are you thinking of becoming a board member of a nonprofit board? Are you already on a board? If so, you probably hope to do a better job than the board members of so many of the corporations that were engulfed in highly publicized scandals last year. The failure of their boards to uncover wrong doing at places like Enron, WorldCom, and Tyco made headlines around the world. Less noticed were the failings in the nonprofit world. The entire board of the United Way of the National Capital Area [in the USA] for example, resigned last fall amid allegations that the organization was missing its funds (par. 1).

McNee (2005) maintains that nonprofit organizations need to implement stringent requirements for sound financial controls and oversight at the board level and that this is

contingent on who sits on the board. He also asserts that the drive for this increased scrutiny of finances comes from the rise of the Sarbanes-Oxley Act in the United States. “It doesn’t take a crystal ball, then, to realize that Sarbanes-Oxley Act (SOA) will have an impact on the nonprofit sector. Nonprofits must be prepared to actively reassure diverse publics, including regulators and individual donors, that their control systems are airtight” (p .22). The stance of the Independent Sector regarding accountability, presented in an earlier section of this review, is in agreement with McNee’s perspective.

Schmidt (2003) and McNee (2005) provide additional perspectives on the issue of accountability and transparency as informed by the practices of the corporate sector. The first perspective is that the for-profit world has ‘taken more of the public heat’ over governance scandals. The assumption is that the resulting calls for increased accountability resulting from the scandals is about to be transferred to the nonprofit sector. Therefore the nonprofit world has the opportunity to revise the way it approaches governance before scandals, as volatile or more volatile as those already experienced by for-profits, emerge in the nonprofit sector. For-profit experience with governance issues may in fact influence the timing of the nonprofit focus on governance issues. The second perspective gleaned from the writing is that accountability and transparency is guaranteed by sharp financial oversight. This perspective draws attention to one challenge facing governors – that good governance is equated with financial accountability and transparency. This narrowing of the meaning of governance is an issue not currently under debate.

Responsibility for Organizational Performance

The literature included thus-far in the review compares the for-profit and nonprofit board experience and is filled with the notion that the board is responsible for what goes on at the board level, as well as for the overall performance of and impact of the organization in the community. This implies that the board that must be held ultimately accountable for the goings-on of the entire nonprofit organization. The National Council of Voluntary Organizations (NCVO) in the UK states, "Governance can best be defined as the systems and processes concerned with the overall direction, effectiveness, supervision and accountability of an organisation" (2005, Section 2, par. 2.1). Austin (1998) also writes, "A board can make or break a nonprofit. And effective performance of nonprofit organizations is a prerequisite to making significant progress on the growing problems in the social sector" (p.45). Synthesizing the viewpoints of the NCVO (2005) and Austin (1998), if governance is about accountability in relation to addressing social problems, the manner in which governance volunteers determine what governance is may be influenced by the way they give definition to the concept of accountability. The way individuals give definition to their work and concepts in their work will be raised later in this literature review.

Normative Guidelines

The Panel on Accountability and Governance in the Voluntary Sector (PAGVS) Report (1999) defines accountability as, "the requirement to explain and accept responsibility for carrying out an assigned mandate in light of agreed upon expectations" (p.11). The concept embedded within the PAGVS report of meeting 'agreed upon expectations' will be further explored later in this literature review and forms an interesting perspective on the research project.

The report also makes explicit the multifaceted nature of accountability, "...a commitment to accountability should be thought of not only as answering to external audiences, but also as a constructive tool for organizational development, enhancing management practices, self-evaluation, and strategic planning" (PAGVS, 1999, p. 11).

In the bulk of the literature reviewed, accountability and transparency surface as part of a list of normative expectations of boards in their governing work. The lists vary in their context. Most sources (e.g. Alliance for Nonprofit Governance; Chait, et al., 2004; Gill, 2002; McNee, 2005; Schmidt, 2003) frame the expectations from the point of view of what boards of nonprofit organizations should do from a process or structural perspective.

For example, on the Guidestar.org website, an American-based venture organization that supports nonprofit and philanthropic activity by providing detailed data via the internet on 1.5 million+ nonprofit organizations, donors, foundations, businesses, and governing agencies, the following governance responsibilities are listed:

setting goals;

hosting meetings;

dealing with employment issues;

handling financial resources;

planning and policies;

accountability and integrity;

legal duties and liabilities; (Schmidt, 2003).

In all of these descriptions of governance activities in the literature there is no detailing of the concept of what it means to govern.

Miller-Millesen (2003) has synthesized the 'good governance' best practices found across the nonprofit literature into seven activities (Miller-Millesen, 2003, p. 525):

policy formation;

strategic planning;

program monitoring;

financial planning and control;

resource procurement;

board development;

dispute resolution.

In her analysis of the literature, Miller-Millesen also found that organizations like the Aspen Institute and the Independent Sector "also fund, publish, and/or disseminate research and reports that specify the norms for nonprofit governance" (2003, p. 525).

Green, Gehlen, and Fisher (2004) surveyed the relationship of organizational performance and the actions of boards of directors from ten Goodwill organizations. The survey instrument used by Green et. al. takes the form of rating activities under a 'my board does perform' and 'my board should perform' Lickert scale process. The ratings are based on specific actions that board members surveyed indicated the degree to which the board or CEO performs a function or activity and the degree to which the survey respondent believes the board or CEO *should* perform each activity or function. It is important to note that this survey is grounded in the perception of the survey respondent. In particular the emphasis is on what activities have occurred and the degree to which they've occurred versus activities that the respondent believes are required to occur at the board level but that have not yet occurred. While articulation of board member responsibilities and accountability is an included activity on the survey instrument there are no questions about the degree to which the board has discussed,

formulated, and communicated what it believes big “G” governance to be about and how it will proceed with it. The elements that are included are (Green, et al., 2004, pp.12-19):

performance assessment;

mission fulfillment;

short-term and long-term planning;

board development;

board recruitment;

fundraising;

financial controls;

Chait, et. al., (1996) present the competencies of effective governing boards as framed in terms of ‘dimensions’. The six dimensions are then categorized into two skill types: cognitive and affective. We will revisit the theme of cognition later in this review.

Cognitive

contextual: having to do with the culture and norms of the organizations;

educational: having to do with educating board members about the institution, profession, role on board, etc.;

analytical: having to do with applying critical thinking and analysis to the complex issues that face boards in their decision-making process;

strategic: having to do with shaping strategies to accomplish directional priorities for the organization;

Affective

interpersonal: having to do with nurturing the board members as a working group;

political: having to do with developing relationships among key stakeholders (pp. 7-8).

Overview of Themes in Literature

For the purposes of this literature review 33 pieces of literature were selected for their focus on the theme of governance. Specifically listing expectations of the board are 18 sources (e.g., Alliance for Nonprofit Governance; Daigneault, 2005; Hurwit, 2004; Schmidt, 2003); three touch upon real stories of board experience (e.g., Walsh, 2002); six explore specific dimensions of the nonprofit experience like organizational posture, policy governance, writing proposals, preparing oneself to become a board member, and the like (e.g., Gilbert, 1988; Kendall, 1997; Renz, 2004); and six ask the fundamental question of what it means to govern (e.g., Dayton, 2001; Gill, 2002; Masaoka & Allison, 1995; Ostrower & Stone in Miller-Millesen, 2003). The latter six sources delve into a comparatively untouched corner of the governance literature, and offer exploratory ideas regarding what it means to govern. As presented by Dayton (2001), Gill (2002), Masaoka & Allison (1995), and Ostrower & Stone in Miller-Millesen (2003), the question of what it means to govern is discussed through a process-based perspective, rather than through a grass-roots, board-member, experience-based perspective on the topic.

There are 20 activity areas of boards mentioned in the literature. These are summarized below and the frequency of their occurrence in the literature is noted:

Financial control and oversight 12x

(Abzug, 2001; Alliance for Nonprofit Governance; BoardSource, 2002; Chait, et al., 2004; Daigneault, 2005; Gill, 2002; Schmidt, 2003; Hurwit, 2004; Klausner & Small, 2005; McNee, 2005; Miller-Millesen, 2003; Waters, 2001)

Strategic planning and policy development 12x

(Alliance for Nonprofit Governance; BoardSource, 2002; Chait, et al., 2004; Daigneault, 2005; Gill, 2002; Schmidt, 2003; Hurwit, 2004; Klausner & Small, 2005; McNee, 2005; Miller-Millesen, 2003; NCVO, 2004; SCORE, n.d.; Renz, 2004)

Defining and measuring fulfillment of Mission & Vision 10x

(Abzug, 2001; Alliance for Nonprofit Governance; BoardSource, 2002; Chait, et al., 2004; Gill, 2002 & Governing for Results; Hechinger, 2005; Hurwit, 2004; Miller, 2002; Renz, 2004)

Legal Duties/Obligations and Liabilities 8x

(Alliance for Nonprofit Governance; Chait, et al., 2004; Gill, 2005; Schmidt, 2003; Klausner & Small, 2005; McNee, 2005; NCVO, 2004; SCORE, n.d.)

Setting Goals and Measures 7x

(Alliance for Nonprofit Governance; BoardSource, 2002; Chait, et al., 2004; Gill, 2002; Schmidt, 2003; Schmidt, 2003; Hurwit, 2004)

Hosting Meetings and Reporting on Issues/Results 7x

(Alliance for Nonprofit Governance; BoardSource, 2002; Chait, et al., 2004; Gill, 2002; Schmidt, 2003; Schmidt, 2003; Hurwit, 2004)

Dealing with Employment Issues & ED management 7x

(Alliance for Nonprofit Governance; Gill, 2002; Schmidt, 2003; Klausner & Small, 2005; McNee, 2005; NCVO, 2004; SCORE, n.d.)

Accountability, Code of Conduct, Regulatory Compliance 7x

(Gill, 2002; Schmidt, 2003; Miller, 2002; McNee, 2005; NCVO, 2004; Renz, 2004; SCORE, n.d.)

Protecting the Public Interest 6x

(Abzug, 2001; Alliance for Nonprofit Governance; Gill, 2002; Klausner & Small, 2005; Renz, 2004; SCORE, n.d.)

Fundraising 5x

(Alliance for Nonprofit Governance; Gill, 2002; Klausner & Small, 2005; McNee, 2005; Miller-Millesen, 2003)

Occurring less than 5x are: establishing committee structure, speaking up to ask questions, developing the board team, overseeing programs and activities, ethical obligations, board performance, recruitment, dispute resolution, decision-making, and communication.

Reviewing these 20 themes demonstrates how broadly the focus on accountability and transparency is entrenched in the literature. Also of note is that the themes in general address process and procedural issues. We do not find evidence of philosophical, ethical, or purposive dimensions of governance. In effect the literature emphasizes that boards should only address the who, what, where, when, and how questions of governance. The question of why the board or organization exists is left unaddressed.

Focus Two: Ten perspectives through which governance may be interpreted

The determination of why or how governance volunteers and their boards will decide on how they will work and, if they are a governing board, how they will govern, is contingent upon the beliefs and assumptions made by the volunteer board member about governing. A collection of individual volunteer board members, the board also frames a set of behavioural and guiding assumptions and beliefs about governing that the board as a group will adopt into its practices. This may mean that the board belief system

about governance will come at the expense of individual beliefs or may conflict with the intentions of individual board members. Referring to the work of Young (1979), Dixon and Dogan (2003) put forward the notion that cognitive-rational and communicative-rational 'screens' "intermingle in the experience of directors to produce an assumptive world: a "cognitive map of the world out there" (Dixon & Dogan, 2003, p. 40). This is to say that corporate directors form their beliefs, values, and norms about their reality through interactions with each other, their environment, their opinions, and their attitudes. The concept of interactions that form identity draws us back to social identity theory. In this particular context, the basic premise of identity theory is that individuals develop their sense of self-worth from their membership in one or more groups. Hogg (1996, p. 67) observes that social identities have important consequences for the ways individuals evaluate themselves and others; groups and their members are motivated to adopt strategies for achieving or maintaining inter-group comparisons that favour the in-group, and therefore the self. This suggests that what a board believes about itself becomes normative for board members and guides the ways in which the board interacts with those individuals and groups external to it. Beliefs about governance (e.g. as principally an oversight activity versus a political or philosophical activity) become reproduced through successive generations of board members. Changing beliefs, therefore, is extremely difficult.

The literature reviewed provides insights into the variance between the types of beliefs and assumptions that individual volunteer board members may hold about governance. In the literature there are at least ten evident representations of governance: governance as representative of the history and nature of the nonprofit sector (Gardon, 2001; PAGVS, 1999; Reynolds, 2004);

governance from an ownership perspective (Dayton, 2001; Miller, 2002; McCambridge, 2004);

governance viewed as leadership (Hechinger, 2005; Chait, et al., 2004);

governance as a decision-making vehicle (Gill, 2005; Monroe, 2004; SCORE, n.d.);

governance as a formal versus informal activity, & governance as a structure and channel for organizational role definitions (Dayton, 2001; Gill, 2005; Hurwit, 2004; SCORE, n.d.);

governance as viewed from behavioural theory (Miller-Millesen, 2003);

governance as dealing with change versus episodic problems (Gardon, 2001);

governance as a strengthening resource to be used by management or as a vehicle for impacting organizational functioning (Abzug, 2001); and,

governance as a means of protecting the nonprofit organization (Chait, et al., 2004; Stone, 1996).

In this section of the literature review each of the above perspectives will be described. Contradictions or debates that surface between the perspectives will also be highlighted.

Governance as Representative of the History and Nature of the Nonprofit Sector

Gardon (2001) asks: “What is being left out of the current conversation about board governance?” and “What insights can we glean from looking at the history of nonprofit boards?” (Gardon, 2001, Section One). Her examination of the principles and assumptions that underpin the existence of the nonprofit sector suggests a more in-depth consideration of the meaning of governance not found in the literature. Gardon’s work also hints at why certain board member activities, like board members acting as goodwill ambassadors between the nonprofit organization they represent and the local

community, surfaces in the normative literature. She anchors these occurrences to the principles of the justification of public good and utility and public representation; both of which underpin the sector and its evolution (Gardon, 2001). Reviewing the work of historian Peter Dobkin Hall she presents the following:

Hall's history of nonprofit boards in the United States (2000) also suggests two enduring values that can further inform our discussion of governance. The two values of 1) justification of public good and utility and 2) public representation can be traced thematically through the history of nonprofits and are particularly relevant in the current environment (Gardon, 2001, Tapping an Historical Perspective Section).

In February 1999 the Panel on Accountability and Governance in the Nonprofit Sector (PAGVS) issued its final report *Building on Strength* (1999). This report is commonly known as the Broadbent Report. This excerpt from the executive summary is illustrative of how strongly accountability and governance are woven together along with public sentiment and changing times:

At the end of the millennium, voluntary organizations are facing an environment in considerable flux. Changing government roles, increasingly diverse populations, and new social and economic realities are requiring the sector to broaden, deepen, and adapt its approaches - and to do all of these at once. Having been a central aspect of Canadian democracy and society, it will undoubtedly remain so. In order to thrive in a dramatically changed environment and to maintain the high levels of confidence which Canadians have for the sector, it will need to ensure that its governance mechanisms are up to the task and that accountability is both effective and seen to be effective (p. ii).

Congruent with the Canadian experience, Gardon points to the legislative and regulatory changes in the United States that "broaden the scope of activities of nonprofits" and have begun to "blur distinctions between nonprofit and for-profit institutions" (Gardon, 2001) Articulating a similar sentiment, the *Building on Strength* Report notes:

At the end of the millennium, voluntary organizations are facing a rapidly changing environment and fundamental restructuring of how they work. Changing government roles, increasingly diverse populations, and new economic and social realities facing both young and old are requiring the voluntary sector to broaden, deepen, and adapt its approaches - and to do all of these at once. At the same time, the voluntary sector is trying to understand and honour its own diversity - to create approaches and solutions that can be adapted by organizations with vastly different missions, practices, and activities (p.4).

Gardon (2001) also identifies the presence of distrust in the public toward government and public institutions, the reality that nonprofits rely on government sponsorship, subsidies and support, and that stakeholders are seeking more 'power and influence' in their involvements (Gardon, 2001). Two excerpts from the Broadbent Report are demonstrative of these ideas:

The lack of stable funding often makes it hard for an organization to avoid being diverted by chasing project money, attached to priorities determined by the funder rather than the organization or its constituency, and to stay true to its mission with the ability to undertake long term and strategic planning. It has created pressures to be more innovative, work collaboratively with other organizations, expand business activities and perform more efficiently...Not surprisingly given these pressures, there are new demands from increasingly sophisticated funders and the public to demonstrate effectiveness, and where possible to do so in measurable outcome-based ways. It is no longer enough to be well intentioned and do "good." Voluntary organizations are increasingly expected to show that their programs actually make a positive difference in people's lives (PAGVS, 1999, p.5).

These sentiments are echoed by Reynolds (2004):

It's a challenging time to be in the good-works business. With some 80,000 registered charities in Canada alone, competition for donor dollars is fierce, especially at this time of year. Government cuts to social spending through the 1990s hit the sector hard, decimating an important revenue stream and leaving not-for-profits with little choice but to duke it out in the marketplace (Reynolds, 2004, par. 2).

Donors, especially younger ones, are jaded by stories of profligacy in the not-for-profit sector, so charities are offering to reveal exactly where their money is going. And, above all, they're paying close attention to the evolving tactics of the sector's successes (Reynolds, 2004, par. 2).

Gardon (2001) also reinforces that the nonprofit sector as a whole is in a position of justifying activities in terms of how the work of the nonprofit contributes to the public good and that nonprofits represent public interests that are otherwise left without support directly through government or other institutions. The Broadbent Report also makes reference to the underpinnings of the nonprofit sector in the arena of working for public good: "... the legal notion of charity does not always accord with public perceptions of

the concept. Revenue Canada, by most accounts, has tended to be restrictive in its use of the concept, as one would expect of a tax-raising department. The point is that the case law means that some communities, needs and activities that many Canadians consider to be central to our democracy, are excluded from being registered as charities. These include diverse organizations that promote, for example, equality for women, race relations, environmental awareness or protection, community economic development, or volunteerism itself...The impact of the restrictive definition has become particularly acute during the 1990s when governments ceased to provide many services, leaving individuals and communities to provide these services out of philanthropic dollars and volunteer time. Such downloading has made tax relief for public benefit organizations a central public policy issue (PAGVS, 1999, p. 52).

The discussion of accountability in governance has arisen because it is linked to the issue of giving and sharing power with stakeholders – whether those stakeholders are the public to whom the organization delivers services and programs of benefit, the government from whom the nonprofit organization receives support to exist, or the regulators who have the authority to affirm or deny a nonprofit organization its charitable status.

Strategic planning and policy development is another area of emphasis that tacitly arises because of the evolution of the sector. The notion of public distrust demands an organization concentrate on internal and external accountability. This accountability is a component of relationships and is guided by partnerships, communication, and strategy between the nonprofit organization and suitable partners in the external environment. Internally, the management of the board-executive director relationships is an example of a relationship where accountability addresses potential areas of distrust. Effective

and timely reporting, clarity of board and management roles, and reporting and justification for organizational results are essential for the public to form a perception of organizational transparency, effectiveness, and success (Gardon, 2001).

The scandals arising out of organizational failings in the corporate and nonprofit sectors have placed an enormous pressure on volunteer board members to deliver governance without scandal. With recent and very public upheavals in both sectors, it is not surprising that the normative literature on governance places the most frequent emphasis on activities for financial control and oversight, strategic planning and policy development, mission definition and fulfillment, and legal duties/liabilities. It may be that individual board members, familiar with the historical evolution of the nonprofit sector or influenced by a generalized understanding of why the sector exists, are constructing their definition of governance based on activities and processes that support specific elements: financial control and oversight, strategic planning and policy development, mission definition and fulfillment, and legal duties/liabilities.

Governance From An Ownership Perspective

Miller (2002) offers the representation of what governance means by way of examining ownership. Four concepts presented in Miller's work include the duality of ownership, the board agreement on which stakeholders hold ownership, the conduit of accountability from moral ownership to legal ownership, and finally, the participation of ownership in the governance process (Miller, 2002).

In terms of the duality of ownership, nonprofits are accountable: legally and morally. The parties to whom the nonprofits are accountable make up the 'ownership'. Miller

suggests that legal ownership falls within the community and moral ownership belongs to the stakeholders whom the board selects as important to the core activities or basic purposes of the organization (Miller, 2002). This distinction is easily understood by examining decisions made by the board pertaining to financial expenditures (legal responsibility to the broader community to make fiscally responsible decisions) that is influenced by the core values system (moral obligation of the board/organization to support the interests of particular constituents) of the board members on behalf of the nonprofit organization (Miller, 2001). As stewards of charitable assets the board must balance legal and moral responsibilities. The emphasis on accountability and transparency has reduced these responsibilities to a financial level and is therefore problematic. For example, leaving ambiguous moral, and even ethical, issues out of the discussion of governance has the effect of turning governors into fiscal agents of funders.

Miller's study surveyed and observed 12 nonprofit boards in New York and Connecticut from August 1999 through May 2000. She explains that over 60% of the participating board members could not articulate a common party or stakeholder to whom their board was accountable (Miller, 2002). This lack of consistency in identifying the ultimate ownership of the organization to whom the board is accountable could develop into problems when the board needs to justify decisions made, focus the mission of the organization, and/or respond to other stakeholder interests.

Another key point Miller raises is that it is only when a board decides on the stakeholder group that retains moral ownership that it can then behave with accountability toward the legal ownership (Miller, 2002). This happens, she explains, because the board can select between competing expectations easily, more consistently and cohesively, when

resolving issues than it would if it needed to resolve issues without knowing to whom the moral commitment was given. A further demonstration of the moral ownership paving the way to legal accountability is evident when a nonprofit organization seeks the input of its owner-stakeholders and then actually applies the responses from the owner-stakeholders to the internal processes and decision making of the organization. If the feedback from the moral ownership does not impact the processes and decisions of the organization, then the bedrock on which legal accountability is established is eroded (Miller, 2002).

McCambridge (2004) reminds us that “the nonprofit sector is there to ensure that people have a voice in our future—at the community, national and global level” (McCambridge, 2004, p. 346). And, “If we accept this as our primary role, it has implications for what should be present as constants in our governance structures” (McCambridge, 2004, p. 346). Like Gardon, McCambridge takes a more encompassing view on the issue of ownership that rests on the foundation of the charitable purpose of the sector. Miller’s emphasis on governance, namely accountability to the ownership, draws attention to the boundaries of nonprofit organizations and the regulatory frameworks in which they operate.

Going deeper, Dayton’s (2001) work is focused on the notion of individual board member loyalty or obligation. He writes that “once a board member, you are no longer the representative of any constituency. Your primary loyalty must be to the institution of which you are a trustee (Dayton, 2001, p. 7).” Some governance volunteers may feel particularly passionate about a cause because it affects them as a particular constituency or demographic representative. Once on the board, however, that governance volunteer, according to Dayton, would need to separate the individual

passion driving their involvement on the board from the obligation of remaining committed to the organization as a whole (Dayton, 2001, p. 7). Dayton's work suggests that individual or smaller-scale interests need to defer to overall organizational purposes. The exploration of how volunteer motivations for governance roles influence the construction of the meaning of governance is an opportunity for the research project.

Self-categorization theory, an extension of self-identity theory may provide insight into how the process that Dayton (2001) supports actually occurs. Hogg & Terry (2000) state that individuals in a group take on a perceived sense of group identity such that they subordinate their personal identity to fit in (p.123). The cognitive process, suggested by this theory, transforms that individual board member into a prototypical representative of the board. How the board defines itself – visionaries, fiscal agents, auditors, etc., will determine how individuals will be expected to behave on the board. The caution we note from reviewing the literature is that the common definition of the board and therefore how individuals become members is severely limited to functional operational characteristics rather than purposive of ontological characteristics.

Governance Viewed as Leadership

Endorsing the values-based commitment referred to by Miller (2002) and emphasizing the global perspective of fulfilling a mission (purpose) presented by McCambridge (2004), Hechinger (2005) contributes to the representation of governance as leadership. The crux of her perspective is that it is with leadership in the CEO and with board members that governance occurs (Hechinger, 2005).

Chait, Ryan and Taylor (2004) echo the sentiments of McCambridge (2004), Miller (2002), and Hechinger (2005) and examine leadership as the basis of governance in much greater detail. The twist that the authors present to our understanding of governance is that in practice we have evidence that nonprofit managers have gravitated to the role of leadership while boards of directors have moved towards management functions (Chait, et. al., 2004, p. 2). To anchor governance, the authors describe three modes of governing: fiduciary (dealing with assets); strategic (dealing with management); and generative (driving the organization with leadership) (Chait, et. al., 2004, pp. 6-7). To achieve governance all three modes need to be actively pursued by the board (Chait, et. al., 2004, p. 8). In this perspective the onus of governance rests on the leadership savvy of individual board members and the CEO of a nonprofit organization. In effect, the board reclaims its leadership role while managers are delegated the operational responsibilities of the organization.

Governance as a Decision-Making Vehicle

From the Institute on Governance website, Mel Gill provides us with yet another frame of reference for governance. The perspective presented by Gill includes an analysis of organizational behaviour. When groups of people come together for the purposes of a collective effort, part of their effort will include decision-making. If the group membership is too large the organization will need to establish a mechanism through which decision-making can occur and be delegated. He continues: "In the voluntary sector organizations this entity is the board of directors" (Gill, 2005). In this perspective, decision-making is the core purpose of the board. He then asks the central question of: What then constitutes governance?

Gill is one of very few researchers/practitioners who venture into defining governance. The definition presented on the website is: “Governance is about the more strategic aspects of steering, making the larger decisions about both direction and roles” (Gill, 2005). This definition of governance brings us full-circle to the normative descriptions of the governance process. It refers to strategic decision making, *larger* decision making which one could assume falls beyond the management and programmatic decisions of day-to-day operations, and it refers to the direction of the organization’s efforts as well as the roles within the organization to support its purposes. Each of these components, as explored in earlier sections of this review, form the basis for the expectations of the responsibilities of a governance board.

A challenge of the decision-making paradigm, like the one presented by Gill (2005), is that it could be easily interpreted to mean that boards have the simple and delegated authority to make and approve decisions. The pitfall of this line of thinking is to assume that to govern means that governance volunteers need to endorse or reject proposals or participate in the activity of ‘rubber-stamping’. Further exploration of the decision-making context by Gill (2005) reduces this risk by contextualizing the broader environment in which decision-making occurs. Another risk to the decision-making paradigm stems from the perspective of how governance volunteers define their purposes, rights, and actions based on their experience and professional activities. The following excerpt from *Leader to Leader* illuminates a particular aspect of the risk of governance volunteers governing through a lens of experiential identification: “When in their own organizations, leaders from the for-profit sector are admired for asking tough questions and engaging in thoughtful discussion. When these same people land on nonprofit boards, they often fall silent at critical times — seemingly afraid to speak up or unwilling to rock the boat” (Monroe, 2004, p. 65). This article was written from an

“accountability perspective” and was written to compare practice realities between for-profit and nonprofit boards. The issue that the article gives rise to is the manner in which board members of nonprofit boards *inform* their decision-making and participation versus the manner in which decision-making and participation are informed for the for-profit board member. In some cases it could be entirely feasible that experience, personal or professional, alters behaviours between profit and nonprofit settings. Alternatively, it could be that the participation and decision-making in the for-profit arena is clearer and more direct because governance is defined consistently across board members and the opposite could be true in the nonprofit setting.

The SCORE Association (Service Corps of Retired Executives), an American national nonprofit organization providing small business counselling and training partnering with the U.S. Small Business Administration, presents decision-making as a supplementary and uninteresting activity that supports the activity of governance, “one thing board members do is attend meetings...and at these meetings, they share information and make decisions” (*Serving on a Nonprofit Board of Directors*, n.d., Committees: Getting Boards to Function Well Section). The difference in the treatment of the topic of decision-making in the literature highlights the differences about how board members construct or attach meaning or significance to aspects of governance.

Governance as a Formal vs. Informal Activity & Governance as a Structure and Channel for Organizational Role Definitions

Within the SCORE literature another paradigm emerges through which we may view governance. The notion is the distinction between formal responsibilities of a board and informal responsibilities of a board. This distinction or categorization of responsibilities into two or three dimensions is echoed in other sources of literature (Dayton, 2001), the

articulation of the differences between management and governance (Gill, 2005), and in the legal literature distinguishing between governance, leadership, and stewardship (Hurwit, 2004).

According to SCORE (n.d.) the first function of a board in a governance role is to protect the public interest and it does so through the application of oversight, evaluation, information gathering and communication between the nonprofit organization and the public (*Serving on a Nonprofit Board of Directors*, n.d., The Role and Functions of the Board Section). The emphasis on this function is on elevating the responsibility of the board from that of protecting the viability of the nonprofit organization to ensuring the positive reputation of and stability of jobs for board members and employees. The one gap in this articulation by SCORE is that the article speaks to the need for internal controls over the way people are treated and respected through organizational work and equates that with protection of public interest. The problem that remains is that it leaves little by way of constructive comment about how the board goes about connecting with the public to understand and respond to needs for protection of interest or even comes to define what is meant by 'public interest'.

The second function of the board in a governance role is actually split into two areas of responsibility: formal and informal (*Serving on a Nonprofit Board of Directors*, n.d., Enable the Organization to Achieve its Purpose Section). The formal responsibilities of the board include governance and the informal responsibilities of the board refers to the 'helping' that board members give to the organization. The 'formal' construction of governance includes: hiring the executive, delegating management functions, developing strategic plans, assuring continuity of the organization, dealing with crises, and maintaining the board (*Serving on a Nonprofit Board of Directors*, n.d., Enable the

Organization to Achieve its Purpose Section). The informal responsibilities include assisting the organization with planning, fund-raising, and community relations (*Serving on a Nonprofit Board of Directors*, n.d., Enable the Organization to Achieve its Purpose Section). The article suggests that informal activities can go on without direct involvement of the board, however, that they are enhanced when board member participation is achieved. On the other hand, formal responsibilities must have only board participation because delegating these responsibilities beyond the board would bring tremendous risk to the long-term interests of the organization. Governance, then, according to SCORE is really about ensuring and maintaining the long-term interests of the organization.

Gill (2005) does not necessarily couch the distinction of governance practice into formal or informal activities. Instead definition is given to three central concepts of organizational life:

Work: performing tasks required to fulfill mission

Governance: the interface with stakeholders, the source of strategic decisions that shape the organization and its work, and ultimate accountability for the work and actions of the organization

Management: the link between governance and work. The organization of tasks, people, relationships, and technology to get the job done (Gill, 2005, p.18).

SCORE's formal activities partially fit into Gill's (2005) definitions with the exception that SCORE articulates governance as the focus of the board of directors on interacting with the organization's management staff and does not broaden the scope to include 'stakeholders' in a more generalized sense. Another contrast between SCORE and the

ideas represented by Gill is the notion of accountability. At SCORE it is couched in terms of the board's authority to hire and fire the top executive rather than placing the onus of accountability directly on the board.

Dayton's (2001) work begins to bring us closer to the process of understanding how governance volunteers make or give meaning to governance. Dayton's work also separates the role of governing as a trustee (used interchangeably with member of the board or director) and volunteering as a duty to the nonprofit organization. This is similar to SCORE's representation of governance and helping activities. Dayton touches upon the distinctions presented by Gill (2005) in terms of identifying that governance is *not* management. The central premise of Dayton's work is that "governance is governance, management is management, and every organization must clearly distinguish between them if it wants the two to work in harmony to achieve the institution's mission" (Dayton, 2001, p. 6). Of important note is that Dayton confers the responsibility for achieving organizational mission to *both* the governing board and the management of the organization. In the sources of prescriptive literature already cited in this review we have witnessed the philosophy that mission fulfillment responsibility resides solely with the board.

Governance as Viewed From Behavioural Theory

Examining what board members actually do and why they opt to act in the ways they do links the question of governance to behavioural theory. In a study Miller-Millesen (2003) showcases three organizational theory perspectives to understand the assumptions underpinning board roles and responsibilities: agency theory, resource dependency theory, and institutional theory (pp. 522-523).

According to agency theorists the board of directors would take on specific activities or actions that would address organization and would shift control and oversight authority to the board (Miller-Millesen, 2003, p. 522). Performance management and monitoring of the Executive Director, for example, is one such activity that a board may participate in. Any decisions made about the recruitment, hiring, or firing of the Executive Director would be made by the board. Ownership would, in theory, be kept immune from the risks associated with poor judgement in these activities. In reality, an ineffective executive director can place the entire organization and board of directors at risk:

Failure to place proper importance on this process is a major threat to the organization. The decision to hire a new executive director raises important questions about the organization's future, and about the nature of the leadership it requires to achieve success...Clearly, the nonprofit's response to each of these questions affects the nature of the individual and the nature of leadership in general that an organization requires at the point of hiring a new executive director (Allison, 2002, p. 347).

Another activity of the board that would demonstrate agency theory takes place is when the board interfaces with the Executive Director to reinforce, agree, or discuss plans, decisions, and implications (p. 522). The core of purpose behind the interface activity is to ensure that the perspective of the Executive Director is congruent with the long-term and values-based interests of the organization itself (p. 531). The board is therefore an agent through which executive and ownership interests in a nonprofit organization can be coordinated to achieve purposes as articulated by organizational mission.

Miller (2002) also explores the role of a board as a monitor of organizational activity and specifically uses agency theory as a framework for her analysis. Miller emphasizes that the agency theory perspective is about separating ownership from control (p. 430). The focal point of agency theory is that there exists an 'agent' who carries out the interests of organization by implementing decisions of the board. The perspective holds that the

executive director or chief executive officer, acting as an agent of the board, would 'behave with self-interest' and that the board would need to monitor that behaviour so that the self-interest of the executive director would be best aligned with the purposes of the organization or organizational interests (Miller, 2003, p. 430).

One of the complexities of agency theory is the need to decide clearly who the 'owners' of the organization are, "no consensus exists as to the identity of one single principal. If the principal is not easily identified, it is hard to determine whether owners and managers have conflicting goals" (Miller, 2003, p. 432). Citing the work of Eisenhardt (1989), Miller raises the relationship issue that agency theory suggests exists within nonprofit organizations, "even though the principal and agent are involved in cooperative behaviour, between the two there exists potential for substantial goal conflict" (Miller, 2003, p. 433). Principal, in Miller's example, refers to the owner who has relied on another person, the agent, to make decisions and act on the principal's behalf. The agent, according to Miller, is the individual who has received, from the principal, permission to act and make decisions on the principal's behalf because of their skills, information, and knowledge that enable them to act for the principal (Miller, 2003, p. 431).

Miller's research indicates a limitation on the application of agency theory to the behaviour of nonprofit boards, "...findings in this study indicate that nonprofit board members do not expect to find goal conflict between the executive director and the purpose for which the organization was created" (Miller, 2003, p. 438). This undermines one of the basic principles under which agency theory operates, the principle of trust and self-interested behaviour. A further complexity of the theory's application is that "...all members of the board must agree as to the things that matter the most" (Miller, 2003, p.442). It is not clear how many boards actually manage to get to the

conversations of 'what matters most' and how they go about doing this. Miller concludes her study with the following, "The way in which the board defines its relationship with the chief executive, ambiguity around the issues of ownership, and unclear measures of performance affect the way in which the theory is applied to the monitoring behaviour of nonprofit boards (Miller, 2003, p. 447). In essence, agency theory is not a theory that can illuminate the highly complex nature of boards and individual behaviour on boards.

Miller-Millesen (2003) also presents resource dependence theory which refers to the economic requirement of nonprofit organizations to remain viable. That is that each organization, to ensure its own survival, must have some way of acquiring and cultivating resources. To support this theory, board members would behave in ways that assist the organization to achieve financial independence. Miller-Millesen (2003) acknowledges that many times a board member will use professional or personal contacts that are a benefit to the organization as a means of reducing uncertainty, acquiring more resources, or accessing information (p. 533). The behaviours of the board members as they work in the resource dependence theory may also alter internal organizational climates. If board members are using external contacts for organizational benefit, elements of influence, connection, and power may begin to reshape the perspective of the board member or the entire board about how to govern in the organization (p. 534).

Finally, institutional theory seeks to examine why consistent behaviours occur in organizations. For example, how is it that, "many nonprofit directors engage in similar activities and develop comparable structures?" (p.523). What are the values, processes, norms, and systems that permit this sort of similarity to occur within nonprofit organizations?

Ultimately, Miller-Millesen (2003) suggests that board behaviour is influenced by two key environmental factors: external pressure from the resource or regulatory environments and internal pressures that evolve, for example, based on the life-cycle stage of a nonprofit organization (524). For example, power and exchange relations on the board will impact the social cooperation of individual board governors; and, power and exchange relations between the board and the regulatory environment will impact the social cooperation of the board as a whole with external audiences (Habermas, 1987). The connection between the individual governance volunteer's behaviour and social identity theory is further explored in the Critical Social Theory Section later this in this review.

Governance as Dealing With Change versus Episodic Problems

Gardon (2001) reveals to us yet another paradigm through which some governance volunteers may be constructing the meaning of governance. The paradigm is that of dealing with change or dealing with problems. Governance volunteers have a choice of the mental filter through which they understand governance. They may understand governance in terms of continuously coping with change (Gardon, 2001). Alternatively, depending on the experience and information accessed by the governance volunteer, governance may have more to do with episodic problem solving.

Gardon's (2001) research indicates that "board members and leaders often view their *problems with their board* in concrete operational terms; e.g., poorly run meetings, difficulties recruiting and retaining members" (see Exploring the Gap section). In the exploration of this theme Gardon suggests that the paradigm is one that is anchored to a

generalized societal mindset – individual, collective, or organizational. Organizational change, couched in terms of *problems*, implies that there are ‘packaged’ or succinct episodes of governance activity with a start and an end. Change theory, Gardon (2001) notes, is about dealing with an evolutionary process that unfolds over time.

Governance as a Strengthening Resource to be Used by Management

Abzug (2001) identifies that, within the strategic management literature, boards “are resources that top management uses to gain information on contingencies in the resource environment or act as agents to secure loans, donations, investments, or customers for the organization (p. 53). This perspective is similar to the agency theory perspective and touches upon resource-dependence theory. The primary differentiation in Abzug’s (2001) review of strategic literature is that executive leadership, not board members, drive the *agency* activities. The need for clarity around who does what, and why those roles and structures are assigned within an organization, surfaces when we compare these two perspectives. Left open is the possibility that governance is really about discerning structure and roles.

Governance as a Means of Protecting the Nonprofit Organization

Stone (1996) examines the evolution of a grass-roots nonprofit organization and pays attention to the governance structure throughout the evolution of the organization. Contradictory logics in the nonprofit environment define the changes that occur and the nonprofit organization’s response to those changes. While articulating why the focus on governance structure is essential to her study, Stone identified that “some nonprofits (especially those with a grassroots and advocacy base) offer a countervailing force to

the state when presented with a clear threat to their organization's mission and espoused ideology" (p. 85). Her assessment is one that is quite similar to the discussion of ownership, agency theory, resource dependence, and risk mitigation. The focus, however, directly on the influence of organizational life-cycle and the stresses that are experienced at each stage combined with the impact of those stressors on governance is a unique perspective. In agreement with Stone's ideas, Chait, et. al. (2004, p. 3) write, "In theory, if not in practice, boards of trustees are supposed to be the ultimate guardians of institutional ethos and organizational values".

Focus Three: Definitions and Assumptions: Governance, Board Members, Board

In seeking how governance volunteers construct their meaning of governance, the review of the literature demonstrated that authors focus their works in three areas: the single board member, the prescriptive or operational sense of governance, or the board as a whole (e.g. Boardsource, 2002; Carver, 2000; Dayton, 2001; SCORE, n.d.)

Only one source (Wilensky & Hansen, 2001) directly sought to examine the beliefs of nonprofit executives. Wilensky and Hansen determined that nonprofit executives hold beliefs and values and assumptions that are different from executives working in the for-profit sector. Nonprofit executives described their work environments to be ambiguous and complicated and also viewed their role requirements to include giving equal time to business needs while meeting the goals of the spiritual or affective mission of their organizations. The approach used story-telling which aligns itself the closest with the peer learning circle methodology to be used in this research project to understand how governance volunteers construct governance meaning. A key question asked in Wilensky and Hansen's research was, "In what way or ways do nonprofit executives

define their function and mission?" (2001, p. 225). In the research project that this literature review has been developed for, it is this question that is being adapted for the purposes of understanding how governance is given meaning by *governance volunteers* with the aim to eventually suggest approaches to build the capacity of those volunteers.

Identity and Meaning Revisited

The current governance literature does not provide us with a direct path for understanding how it is that governance volunteers come to define what it means to be a governor. We have therefore accessed literature from critical social theory, epistemology, ontology, and cognition as basis for situating the proposed research.

Critical Social Theory

Central to the critical social theory put forward by Habermas (1987) is the notion of crisis. Crisis develops when society does not meet individual needs when institutions in society manipulate individuals. In response to this crisis, people interact. Habermas calls this communicative response *communicative action*. Communicative action is powerful. Through this action people come to understand and agree with one another and proceed with making plans for common action. Habermas' perspective aligns well with this project because the governance process requires that a group of individuals are brought together for the purpose of common action.

Habermas' critical social theory is also useful for our purposes because it offers an approach to understanding how meaning is constructed. For example, the literature on governance has not addressed how governance volunteers construct meaning for what is means to govern, instead it offers mechanical and process-oriented information.

Chait, Holland, and Taylor ask, "How can a board govern when the trustees lack a

fundamental understanding of the institution's profession, context, and organizational culture? The short answer is, "not well" (1996, p. 87). There are two problems with this offering by Chait et al. First, the focus of the question suggests that understanding the profession of the institution, and understanding the context in which work of the institution occurs, and understanding organizational culture are the keys to understanding what it means to govern or to be a governor. What is missing is an analysis or explanation of *how* understanding is derived by individuals and groups about governance. What is the process and the dimensions that impact the way understanding is formed or achieved? The second problem is that there is no call made to governors to define what it means to be a governor. Habermas' critical social theory will aid in developing knowledge around *how understanding* is formed, communicated and used by individuals and groups.

In order to attempt to address what it means to be a governor, the first concept that requires definition is that of what it means to be. The Concise Oxford Dictionary (9th ed., 1995, p. 109) identifies the following concepts as relating to the word 'be': to exist, to remain, to continue, as identity, as a state or quality, as opinion, as a commitment, intention, destiny and possibility. According to Habermas it is through social integration, cultural reproduction, and socialization of individuals that the three structural components that form meaning are carried forward. The three structural components of meaning are culture, society and personality (Habermas, 1987, pp. 140-142). Culture is defined as: "the stock of knowledge from which participants in communication supply themselves with interpretations as they come to an understanding about something in the world" (Habermas, 1987, p. 238). Society refers to: "the lifeworld of a social group" or "as a systems of actions such that each action has a functional significance according to its contribution to the maintenance of the system" (p. 117). Personality is "the

competences that make a subject capable of speaking and acting, that put him in a position to take part in processes of reaching understanding and thereby to assert his own identity” (p. 138).

Habermas’ critical social theory of communicative action, along with the notions of culture, society, and personality, opens opportunities for the research project to delve into the origination of how governance volunteers give meaning to what it means to be a governor. For example, earlier in this literature review we presented the perspective of governance in which the for-profit and nonprofit sectors are compared. Continuing along with this comparison and injecting the notion of an existing and overriding culture on boards Chait et al. (1996) present commentary from a board chairman: “The corporate concept of the group as the decision making entity constitutes a core value and fundamental tenet of trusteeship. There’s a certain collective consciousness...that has to be tapped” (Chait, et. al., 1996, p. 59). This statement reveals that there is a culture forming experience and some board members may be more aware of this formation and that the formation actually impacts how the member then defines what it means to be a governor for him or herself.

Returning to Habermas’ concept of the use of communicative action to resolve societal crises, Austin (1998) points out that people serving on nonprofit boards of directors have multiple motivations for joining a board though the majority are aiming at contributing to the alleviation of a social concern, “We see ourselves as having a set of skills that can have considerable leverage when applied with focus to social needs” (Austin, 1998, p.42).

“From systemic points of view as well, *power* and *exchange relations* are the dimensions in which action systems adapt themselves to the requirements of the functional specifications of social cooperation” (Habermas, 1987, p.160). This perspective is confirmed by Chait, et al. (1996):

In order to transform trustees into a board, [in other words to get individuals to cooperate as a social group] the institution must overcome the very real and powerful forces that, unless actively and consistently countered, tend to place the most power in the hands of a few trustees and the president (p. 60).

Finally, another concept that could prove quite powerful in assisting this research project is the notion of anomie, defined in the Oxford Concise Dictionary (9th ed.) as a lack of social or ethical standards of an individual or group (p. 51). Habermas maintains that when interpersonal relationships and the identity of a group are strained or cannot form through the process of social integration, anomie results (Habermas, 1987, p.140).

Chait, et al. (1996) have also identified this occurrence in governance practice:

From a trustee’s perspective, the organization may resemble a foreign culture with different mores, strange customs, and odd values. As one member of a college board commented about the institution’s practice of shared governance, “It’s immobilizing. If I had to make a living doing this, I’d go nuts” (p. 3).

Epistemology and Ontology

Another branch of theory, group process theories, may assist with informing the research project. Reviewing the work of Cutting and Kouzmin (2002) Dixon and Dogan highlight a three-part decision-making process that groups experience. The three components are (Dixon & Dogan, 2003, p. 39):

personal or group experience;

personal or group perception;

personal or group decision (or commitment).

Personal and Group Experience

Dixon and Dogan (2003) begin with an explanation of factors that enable corporate directors to construct their sense of reality. While this perspective comes from corporate-sector literature, it is informative to our question of governance. Dixon and Dogan (2003) suggest that corporate directors form their beliefs, values, and norms about their reality through interactions with each other, their environment, their opinions, and their attitudes. They build on this idea and explain that depending on the way the individual director is predisposed to view the world (how they make sense of their experiences) the 'cognitive map' of the director will be influenced to align itself with that view of the world (Dixon & Dogan, 2003, p. 40).

Personal and Group Perception

A branch of epistemology is hermeneutics. Hermeneutics is rooted in the idea that individuals come to understand the world through social construction and that their actions are based on the collective interpretation of reality that results from the aggregate collection of individual understanding (Dixon & Dogan, 2003, p. 41).

This perspective poses an interesting opportunity for the project in terms of exploring the manner in which volunteer board governors go about making sense of their 'governing' world and whether they are conscious of the possibility that their meaning is derived from a collective interpretation of reality versus a factual basis for reality.

Also constructive to the research project is the exploration by Dixon and Dogan (2003) of ontological perspectives; the perspectives which aim to explore the basis for 'existing or being' (p. 41). They specifically refer to structuralism and agency theory, discussed earlier.

Structuralism

Structuralism refers to the way structures govern action (p. 41). The assertion is that depending on how social relationships are ordered, actions and thoughts of individuals will be impacted and channelled through the ordering or structures that are in place. Dixon & Dogan also suggest that once these structures are in place they are difficult to alter or amend (p. 41). This would imply that in terms of governance, volunteer governors and their sense of what it means to be a governor is impacted by the structure or order given to their experience on the board and/or within their organization and their societal culture.

Board as Decision-Making Actor

Of continued interest to the research project is the way that Dixon and Dogan (2003) synthesize epistemology and ontology. They cross-reference the impact of structuralism and agency theory with hermeneutics. The authors present their conclusions about the way corporate board decision-making is intended and acted out (p. 42).

With the epistemological perspective of hermeneutics and the ontological perspective of structuralism the 'intent of the corporate board' according to Dixon and Dogan (2003) is to "...produce a meaningful (collectively agreed) interpretation of information (considered

holistically) that would facilitate consensual decision-making...that create opportunities for personal commitment to corporate ends” (p. 42). Within this perspective “by far the greater influence is on what is the right thing to do” based on the collectively constructed sense of reality of the situation (p. 48).

Personal and Group-Decision Making

According to the naturalist-agency perspective the authors provide the following:

Corporate directors predisposed to a naturalist-agency philosophical stance would consider the corporate world to be a knowable objective reality; one that has an order characterized by competition, freedom of choice, contractual relationships and consequentialist ethical propositions. They would hold that self-determining people (whether themselves, managers, or staff) decide their own roles, without reference to corporate norms and boundaries and without any voluntary constraints on their private transactions. They would thus presume that everyone is self-interested and self-seeking, and would conduct their affairs in a corporate order where no one has a pre-ordained place and commitment is only to one’s self – *I decide what I will think*. Board-level agreement on the desirability of a course of corporate action would thus only follow if enough individual director’s calculated a favourable personal material benefit-cost quotient (Dixon & Dogan, 2003, p. 43).

The analysis of Dixon and Dogan (2003) raises the need within the research project to determine, if possible, the ontological and epistemological stance of the governance volunteer as this stance may aid in determining how it is that these volunteers come to understand themselves to be governors (individually and collectively.)

Within the naturalist-structuralist perspective, group-decision making would occur when the majority of decision-makers accept that the decision is “in the corporate interest” (Dixon & Dogan, 2003, p.46). “The intent of the corporate-board decision making processes is thus to produce a meaningful (correct) interpretation of objective information that would facilitate satisfying decision-making, premised on successful risk-management, that meet hierarchically determined corporate goals” (p. 46).

Within the hermeneutic-agency perspective social theory is raised. Supporting Habermas' work on social theory, communicative theory plays a central role in the hermeneutic-agency perspective and is presented as assisting the processes of creating "...reflexive and pluralized corporate governance structures and processes that can accommodate a variety of epistemological and ontological imperatives" (Dixon & Dogan, 2003, p. 51).

Dixon & Dogan also raise the transcendental realism perspective which is "concerned with the nature of factual description of the real world and offers a process by which its casual mechanisms can be approached" (p. 51). The two core principles within transcendental realism are:

- (1) the real world operates at three levels known as: (a) actual events as they are, (b) the empirical events that are perceived by an observer, and (c) the deep or underlying causes of events. Knowledge of the real world in this perspective rests on the perception of the real world. The theory attempts to distinguish between events as experienced versus events as they are in reality (p. 51);
- (2) Discoveries about the real world is based on a cumulative process of hermeneutic imaginative model building (p. 51).

The implications of the group-decision process theories that Dixon and Dogan present are that in order for directors to understand their own epistemological and ontological predispositions, these directors need to have the capacity for philosophical reflection individually and with each other. It is through this reflective discourse that Dixon and Dogan suggest corporate directors are able to embrace "good governance" propositions:

- (a) that what constitutes good governance is an easily debatable concept and that dialogue and engagement leads to clarify the different philosophical dispositions that people hold (p. 53);
- (b) directors ought not to think that they have the ability to understand or solve all governance problems. Instead directors require an interpretation to emerge that gives

a contextualized meaning to their situations. This would occur through a deepened investigation of ideas from people with different philosophical dispositions (p. 53);

(c) Good directors would interpret meaning and would evaluate ideas based on their knowledge of epistemological and ontological perspectives and diversity (p. 53).

'Good governors' would accept that the best outcomes that can be expected from constructive discourses are sets of achievable corporate governance aspiration, implementable strategies, and a tolerable level of corporate conflict. They would see being a good director as an iterative process that involves learning by doing and learning by experience about what is the right thing to do and how to do things right (Dixon & Dogan, 2003, p. 53).

Cognition

Forbes and Milliken (1999) fuse the literature of group dynamics and workgroup effectiveness with that of corporate boards and the notion of cognition. Their work also offers insights into boards of directors as strategic decision-making groups. "Perception, attention, learning, memory, thought, and communication—these are processes that are basic to much of our mental life and behaviour, and they are all encompassed under the term cognition (National Institute of Mental Health, 2000, p. 1).

According to Forbes and Milliken boards need to exchange information, evaluate multiple options, and reach well-reasoned decisions and can do so if they are, as members, cooperative with each other (1999, p. 490). They also note that this is extremely difficult for boards to achieve because they require the time for deep, substantive, interaction and in practice the time for interaction is minimal (p. 490). The authors characterize boards as being susceptible to what they term 'process losses' which are the problems that surface when interactions are difficult and result in a lessening or slowing-down of effectiveness achieved as a group (p. 492). They also perceive the work of board members to be 'entirely cognitive in nature' because they view the board as the mechanism through which

strategic-issue processing occurs and that the board does not have involvement in the implementation of decisions (p. 492).

The implication of Forbes and Milliken's (1999) work is that the process of reflective dialogue and problem-solving that Dixon and Dogan (2003) suggest is required of corporate directors is unlikely to be available to most corporate directors. This in turn suggests that a board will likely struggle with having a concerted and meaningful conversation to identify what it means to govern. Further, that addressed in the process is the likelihood that individual directors may not be able to construct a definition of what it means 'to be' a governor.

Forbes & Milliken also identify that 'cognitive conflict', "the presence of issue-related disagreement among [board] members" is highly likely in boards because by their nature they face complex decisions and are a group of interdependent actors (1999, p. 494). The authors are quick to note that the level of cognitive conflict varies across each board. For the purposes of the research project cognitive conflict may be playing a role in the ability of individual board members to construct their identity as 'governors'.

Trust is another concept that is raised by Forbes and Milliken. The authors refer to the work of Weick and Roberts (1993) and the concept of 'heedful interrelating' which is the system of interaction that members of a board would be subject to based on the demands of 'joint action' that permeates the board as a whole (Forbes & Milliken, 1999, p.495). This is similar to the concepts presented by Dixon and Dogan (2003) of the personal and group experience, compared and contrasted with the personal and group perception, compared and contrasted with the personal and group commitment to a decision (Dixon & Dogan, 2003, p. 39).

Cognition and Social Construction

Writing from the perspective of accountability, Roberts (2001) identifies the individualizing and socializing effects of the accountability processes in corporate governance. The individualizing effects are about the “sense of self as singular and solitary with only an external and instrumental relationship to others” (p. 1547). The socializing effects are about the face-to-face accountability that transpires between people that creates a “sense of the interdependence of self and other, both instrumental and moral” (p. 1547). Roberts refers to the work of Powell and recounts “...that trust is neither chosen nor embedded but is instead learned and reinforced, hence a product of ongoing interaction and discussion” (Roberts, 2001, p. 1549). It may be that the social construction of the self plays an instrumental role in the degree to which a governance volunteer is able to construct their identity as a governor.

Roberts (2001) turns to the theories of the social construction of self as they offer insight into the ways in which “...the self is socially produced and reproduced in the routines of everyday interaction. Within these routines, there is an intimate relationship between motivation and this social constitution of self” (Roberts, 2001, p. 1551). The social construction of self and social identity theory is linked to Habermas (1987) and the work of Dixon & Dogan (2003). This overlaps and supports the work of Dixon & Dogan (2003) in which the author’s suggest that reflexive dialogue is required for good governance. Indeed, Roberts (2001) would agree:

...the opportunity to challenge, elaborate, clarify and question – has the potential to engage more fully the person and thereby offer a fuller sense of personal recognition and identity. At the same time, such open communication draws people into a deeper sense of their relatedness to each other. Indeed, in the absence of hierarchy it is only through such processes of dialogue that individual differences and interdependencies can be articulated (p. 1554).

Note within the excerpt that Roberts (2001) indirectly addresses the question of the impact of structure on action in the sense that “it is in the absence of hierarchy” that true dialogue can be had amongst directors (Roberts, 2001, p. 1554). Kezar (2004) would concur, “Most of the recent literature on organizations (chaos theory, for instance)

highlights that relationships are more important than structures and processes to adapt to circumstances. In other words, structures and processes are not the heart of organizations-people and relationships are” (p. 39).

Returning to the notion of accountability and hierarchy Roberts (2001) identifies the possibility of a corporate director becoming annoyed about his or her role on a board because it may be that “the new set of relationships with fellow board members” leads to “a resentment about being answerable to anyone” (p. 1556). Roberts work implies that power and authority is reshaped and challenged by the perception that an individual has about being a board member on a particular board.

Roberts concludes that the “most damaging unintended effect of individualizing processes of accountability is that they promote a preoccupation with self rather than awareness of reciprocal dependence. The effectiveness of socializing processes of accountability will always depend upon individuals’ willingness to risk exercising the power of voice”(2001, p. 1568).

Conclusion

The threefold purpose of this literature review was to understand what research had already been conducted on the topic of giving definition to governance by governance volunteers, review the literature on governance with a broad lens, and to make recommendations for the process, themes, and structure that will guide the peer learning circle approach for the research project.

The literature review focused on an examination of three primary issues: calls for accountability and transparency in the sector; the description and comparison of ten

paradigms through which governance can be understood (as extrapolated from current literature sources); and the lack of clear, consistent, and common definitions and uses of the word governance.

There is a need for this type of study and the sentiments are echoed in the literature as well:

“All this to say that there are huge differences among organizations in the nonprofit sector. These differences mean that organizations vary in the way they define the board’s governance role and determine the meaning of good governance” (Gill, n.d.).

The research project will attempt to illuminate these concepts at the individual board-member level.

Opportunities for the Research Project

The results of this process lead us to no fewer than 40 opportunities for grounding the framework of the research project based on gaps in knowledge about governance as represented by the currently available literature sources.

Steering away from creating another normative or task-focused piece, the Building the Capacity of Governance Volunteer research project is situated to contribute to the unaddressed question of what it means to govern and how it is that governance volunteers construct the meaning of governance. Through the use of the peer learning circle approach the project would contribute to the story-telling literature that brings the experience of board members into focus through the perspective of the board member rather than through a normative, process, or systems perspective. This research could

enable further study on how governing by a volunteer board member is given definition and, secondarily, how governance actually occurs.

The group-process, cognition, and social-construction of identity theories serve as the most flexible and opportunistic platforms on which to situate the research project and come to a closer understanding of how volunteer board governors determine what it means to be a governor.

Specific questions that have emerged through the literature review process that could be included in the project are summarized in the following table. They are cross-referenced to the section in the literature review from which they arise:

Focus	Theme	Research Question
Focus One: For-profit & Nonprofit Comparisons	The Construction of Identity and Purpose	1. What experiences and which sectors do governance volunteers access as a basis for example, demonstration, and to give definition to their own purposes, behaviours, and roles as governors?
		2. How is it that volunteer directors select these particular experiences as appropriate for informing their perspective?
	Board Member Characteristics & Measurements	3. What board member characteristics enable/inhibit governance by a nonprofit board? Why?
		4. What measurements do nonprofit boards use to report the results of their governing work and/or organizational impact?
		5. To whom are these measures reported and by whom? Why? Does the reporting make sense given the definition of governance held and practiced by the board?
	Response to Crises	6. When the words accountability and transparency are applied to governance what do they mean or imply? Why? Are these terms interpreted differently by a 'governing' board?
		7. When is it the appropriate time for the boards of nonprofits to be concerned with accountability and transparency? Why?
		8. How do the boards come to recognize the signals leading them to the call for greater accountability and transparency?

Focus Two: Ten perspectives through which governance may be interpreted	Governance Viewed as Leadership	9. Do governance volunteers hold assumptions about who supplies and acts in a leadership capacity within a nonprofit organization?
		10. Does the definition of leadership by a governance volunteer encompass the fiduciary, strategic, and generative aspects described by Chait et. al.?
		11. How is the decision about where leadership resides negotiated into reality?
		12. What are the implications of viewing 'governance as leadership' on the personal construction of board member definitions of governance?
	Governance as a Decision-Making Vehicle	13. Do individual volunteer board members consider the context of decision-making while they form their definitions of governance? Why or why not?
		14. What is it that is contributing to Gill's perspective that governance is decision-making that is different from the influencing factors at SCORE in which decision-making is an ancillary activity supporting governance?
		15. Examining whether a governance volunteer in the nonprofit sector accesses previous experience or for-profit experience to inform their behaviour in the nonprofit setting.
		16. In addition, it may be worth assessing the degree to which governance volunteers view or consider governance to be about decision-making.
		17. Whether or not nonprofit governance volunteers view governance through the perspective of decision-making, how is it that these volunteers construct governance meaning that is consistent with fellow board members and/or organizational purpose?
	Governance as a Formal vs. Informal Activity & Governance as a Structure and Channel for Organizational Role Definitions	18. How do governance volunteers and their boards determine or agree upon what the long-term interests of the organization are?
		19. Who is involved in shaping that decision and when is that decision made?
		20. Do governance volunteers agree that their roles and functions are split between governance and helping?
		21. What are some of the tensions that arise in a governance volunteer if they do view

		themselves to be wearing two hats?
		22. Based on how people give meaning to governance, who (what entities within the organization) have responsibility for accomplishing what and how is that decided, clarified, communicated?
	Governance as Viewed From Behavioural Theory	23. Do governance volunteers reflect on their behaviours in light of the various environments and if they do what does this mean for how they define governance?
		24. Do governance volunteers alter their definitions of governance if the board or the organization itself progresses into a new life-cycle stage?
		25. With whom does a governance volunteer identify ownership with? Is the volunteers sense of commitment to ownership aligned with his/her sense of organizational purposes?
	Governance as Dealing With Change vs. Episodic Problems	26. How do governance volunteers view governance activity – as a discreet activity or evolutionary activity?
		27. If board members on the same board have conflicting perspectives about change and problems, how are those perspectives coordinated into agreement? What influence do board members have over each other in seeking this congruence?
		28. How might a board discern whether it will focus on specific problems or focus on long-term, ambiguous, evolving needs of the organization? Once a board makes this decision, what impact does this have on the way governance volunteers construct the meaning of governance?
	Governance as a Strengthening Resource to be Used by Management	29. Do governance volunteers view governance as an instrument for use by executive leadership? If yes, why has this been a consideration for the volunteer in the construction of what it means to be a governor?
	Governance as a Means of Protecting the Nonprofit Organization	30. To what extent do governance volunteers view the role of the board as a 'values guardian' and what experiences or insights have led the volunteers to hold that viewpoint?
Focus Two: Definitions and Assumptions: Governance, Board Members, Board		31. What types of stocks of knowledge do governors access to come to an understanding of what it means to be a governor? What alters or modifies this understanding? How do governors become aware of changes to their understanding of what it means to be a governor?

		32. What actions of the group of governors contributes to the maintenance of a governing board?
		33. What competencies assist an individual governor with participating in and understanding governance in order to perceive his or herself as a governor.
Identity and Meaning Revisited	Critical Social Thoery	34. Are board members aware of the formation of culture that is occurring in their board experience? How does this impact the way the board member defines what it means to be a governor?
		35. What motivation has been the primary motivation for the board member to join the board and how has this motivation impacted his/her construction of meaning toward the concept of 'governance'?
		36. Has the concept of anomie affected the board member's construction of meaning?
		37. Do governors believe they are responding to crisis when functioning as a board governor?
	Epistemology & Ontology	38. How does the structure of the board impact the governance volunteer's construction of what it means to be a governor?
		39. How does the structure of the nonprofit organization for which the board serves impact the governance volunteer's construction of what it means to be a governor?
		40. When decision-making, what is the principle from which the board member makes the decision? How does this compare to the principle taken by the board as whole when making a decision? (example: the right thing to do for self, the right thing to do for the board, the right thing to do for the organization, the fiscally responsible thing to do for xxx, etc.)
		41. What is the ontological and epistemological stance of the governance volunteer?
		42. Is the governance volunteer aware of the epistemological and ontological viewpoints of fellow board members? To what extent do the volunteers seek to identify these perspectives; why or why not?
		43. Do the governance volunteers agree with Dixon & Dogan (2003) on the propositions for good governance?: <ul style="list-style-type: none"> • that what constitutes good governance is an easily debatable concept and that dialogue and engagement leads to clarify the

		<p>different philosophical dispositions that people hold;</p> <ul style="list-style-type: none"> • that governors do not have the ability to understand or solve all corporate governance problems and that instead they need to give new meaning to their situations;. • and, that good corporate directors would interpret meaning and would evaluate ideas based on their knowledge of epistemological and ontological perspectives and diversity.
	Cognition	44. What are the factors that preclude or enable a board to get to the conversation about what it means to govern and for each governor to decide what it means to be a governor?
		45. How do trust, accountability, and relationships influence the meaning that governors give to what it means to be a governor?

References

Abzug, Rikki. (2001). Nonprofit Boards: Crucibles of Expertise or Symbols of Local

Identities? *Nonprofit and Voluntary Sector Quarterly*, 30(1), 51-73.

Accountability Overview. (2004). The Independent Sector. Retrieved July, 2005, from:

<http://www.independentsector.org/issues/accountability.html>

Alliance for Nonprofit Governance. (n.d.). *Governance Matters*. Retrieved June, 2005,

from

<http://www.governancematters.org/web/Resources/GovernanceMatters/tabid/94/Default.aspx>

Alliance for Nonprofit Governance (ANG). (n.d.). *What is an Effective Nonprofit Board?*

Retrieved June, 2005, from

<http://www.governancematters.org/web/Resources/GovernanceMatters/tabid/94/Default.aspx>

Allison, Michael. (2002). Into the Fire: Boards and Executive Transitions. *Nonprofit*

Management and Leadership, 12 (4), 341-351.

Austin, James E. (1998). Business Leaders and Nonprofits. *Nonprofit Management and*

Leadership, 9(1), 39-51. Retrieved July, 2005, from Business Source Premier

Database.

BoardSource. (2002). *Board Essentials*. Retrieved June, 2005, from:

<http://www.boardsource.org/QnA.asp?Class=BoardEssential>

Brainard, Lori A. and Patricia D. Siplon. (2004). Toward Nonprofit Organization Reform

in the Voluntary Spirit: Lessons from the Internet. *Nonprofit and Voluntary Sector*

Quarterly, 33(3), 435-457. Retrieved August, 2005, from ABI/INFORM Global

Database.

- Brown, William A. (2005). Exploring the Association Between Board and Organizational Performance in Nonprofit Organizations. *Nonprofit Management and Leadership*, 15(3), 377-400. Retrieved August, 2005, from Business Source Premier Database.
- Carver, Miriam. (1988). The Board's Own Peter Principle. *Nonprofit World*, 16(1), 20-21. Retrieved June, 2005, from ABI/INFORM Global Database.
- - -. (2000) Speaking with One Voice: Words to Use and Not to Use. *Nonprofit World*, 18(4), 14. Retrieved June, 2005, from ABI/INFORM Global Database.
- Chait, Richard P., Thomas P. Holland, & Barbara E. Taylor. (1996). *Improving the Performance of Governing Boards*. Arizona: The Oryx Press.
- Chait, Richard P., William P. Ryan, & Barbara E. Taylor. (2004). *Governance as Leadership: Reframing the Work of Nonprofit Boards*. New Jersey: Wiley.
- Cornforth, C. (2001). What Makes Boards Effective? An Examination of the Relationships Between Board Inputs, Structures, Processes and Effectiveness in Non-Profit Organisations. *Corporate Governance: An International Review*, 9(3), 217-228. Retrieved August, 2005, from Business Source Premier Database.
- Daigneault, Michael. (2005). The Path to Good Governance. *Credit Union Magazine*, 71(5), 60. Retrieved June, 2005, from ABI/INFORM GLOBAL database.
- Dayton, Kenneth. (2001). *Governance is Governance*. Published by the Independent Sector, Retrieved June, 2005, from <http://www.outward-bound.org/docs/staff/governance.pdf>
- Dixon, John and Dogan, Rhys. (2003). Corporate Decision Making: contending perspectives and their governance implications. *The International Journal of Effective Board Performance*, 3(1), 39-57. Retrieved August, 2005, from ABI/INFORM Global Database.
- Forbes, Daniel P., & Frances J. Milliken. (1999). Cognition and Corporate Governance: Understanding Boards of Directors As Strategic Decision-Making Groups. *Academy*

- of Management Review*, 24(3). 489-504. Retrieved August, 2005, from ABI/INFORM Global Database.
- Frankfurt School. (n.d.) *Jurgen Habermas – On Society and Politics*. Retrieved July, 2005, from <http://home.cwru.edu/~ngb2/Authors/Habermas.html>
- Gardon, Anne. (Summer 2001). Strengthening Boards of Nonprofit Organizations. *Nonprofit Management* 5(1). Retrieved June, 2005, from <http://www.annegardon.com/archive/article-1.htm>
- Gilbert, Michael. (1998). What's Your Organizational Posture? *Nonprofit World*, 6(4), 18. Retrieved June, 2005, from ABI/INFORM GLOBAL database.
- Gill, Mel. (2002). Building Effective Approaches to Governance. *Nonprofit Quarterly*, 9(2). Retrieved June, 2005, <http://www.nonprofitquarterly.org/section/313.html>
- . (2005). Governance Basics. Retrieved June, 2005, from Institute on Governance: http://www.ioq.ca/boardgovernance/html/gov_wha.html
- . (2005). *Governing for Results: A Director's Guide to Good Governance.*, Victoria, British Columbia: Trafford.
- Green, Jack C., Frieda Gehlen, Mark Fisher. A Study of the Relationship of Organizational Performance and Actions of the Boards of Directors of Ten Member Goodwill Organizations. ARNOVA Papers 2004
- Habermas, Jurgen. (1987). *The Theory of Communicative Action* (Volume 2). Boston: Beacon Press.
- Hechinger, Deborah S. (2005). Governance Requires Leadership. *Foundation News & Commentary*, 46(2). Retrieved June, 2005, from <http://www.foundationnews.org/CME/article.cfm?ID=3224>
- Hurwit & Associates. (2004) *Nonprofit Governance, Boards, and Bylaws*. Nonprofit Law Resources Library. Retrieved June, 2005, from http://www.hurwitassociates.com/l_roles_governingboards.html

- Kendall, Jane. (1997). The Making of a Good Board Member. *Triangle Business Journal*, Retrieved June, 2005, from <http://triangle.bizjournals.com/triangle/stories/1997/12/15/editorial2.html>
- Kezar, Adrianna. (2004). What Is More Important to Effective Governance: Relationships, Trust and Leadership, or Structures and Formal Processes? *New Directions for Higher Education*, no. 127, 35-36.
- Klausner, Michael & Small, Jonathon. (2005). Failing to Govern. *Stanford Social Innovation Review*, 3(1) 42-49. Retrieved June, 2005, from ABI/INFORM Global Database.
- Masaoka, Jan and Allison, Mike. (1995). Why Boards Don't Govern. Retrieved June, 2005, from http://www4.compasspoint.org/cpDir/files/documents/bc_2004_10_2.pdf
- McCambridge, Ruth. (2003). A Gateway to 21st Century Governance: Are We Ready? *Nonprofit Quarterly*, 10(3). Retrieved June, 2005, from <http://www.nonprofitquarterly.org/section/448.html>
- . (2004). Underestimating the Power of Nonprofit Governance. *Nonprofit and Voluntary Sector Quarterly*, 33(2), 346-354.
- McFarlan, F. Warren. (1999). Working on Nonprofit Boards: Don't Assume the Shoe Fits, *Harvard Business Review*, 65-80.
- McGill, I. & Beaty, L. (1993). *Action learning: A practitioner's guide*. London: Kogan-Page.
- McNee, Michael. (2005). To Strengthen a Nonprofit Oversight Function, Find the Right People. *The CPA Journal*, 75(4), 22.
- Miller, Judith L. (2002). Who Owns Your Nonprofit? *Nonprofit Quarterly*, 9(3). Retrieved June, 2005, from <http://www.nonprofitquarterly.org/section/341.html>
- . (2002). The Board as Monitor of Organizational Activity: The Applicability of Agency Theory to Nonprofit Boards. *Nonprofit Management and Leadership*, 12(4), 429-450.

- Miller-Millesen, Judith L. (2003). Understanding the Behavior of Nonprofit Boards of Directors: A Theory-Based Approach. *Nonprofit and Voluntary Sector Quarterly*, 32(4), 521-547.
- Monroe, Helen. (2004). Serving Effectively on Nonprofit Boards. *Leader to Leader*, 32, 65-66. Retrieved June, 2005, from Wiley Interscience Journals Database.
- National Council of Voluntary Organizations. (March 2004). *A Governance Code for the Voluntary and Community Sector?* Retrieved June, 2005, from: <http://www.ncvo-vol.org.uk/Asp/search/ncvo/main.aspx?siteID=1&slD=18&subSID=88&documentID=1986>
- National Institute of Mental Health. (2000). Cognitive Research at the National Institute of Mental Health Fact Sheet. Retrieved August, 2005, from <http://www.nimh.nih.gov/publicat/NIMHcognitiveresfact.pdf>
- Panel on Accountability and Governance in the Voluntary Sector (PAGVS). (1999). Building on Strength: Improving Governance and Accountability in Canada's Voluntary Sector. Retrieved June, 2005, from http://www.vsrbsb.net/pagvs/Building_on_Strength.htm#1.%20Introduction
- Renz, David O. (2004). Exploring the Puzzle of Board Design: What's Your Type? *Nonprofit Quarterly*, 11(4). Retrieved June, 2005, from: <http://www.nonprofitquarterly.org/section/655.html>
- Reynolds, Cynthia. (2004) Charity Chic. *Maclean's*. Retrieved June, 2005, from http://www.macleans.ca/topstories/business/article.jsp?content=20041220_95198_95198#continue
- Roberts, John. (2001). Trust and Control in Anglo-American systems of corporate governance: The individualizing and socializing effects of processes of accountability. *Human Relations*, 54(12), 1547-1572. Retrieved August, 2005, from ABI/INFORM Global Database.

- Schmidt, Elizabeth. (2003). *Joining a Nonprofit Board in a Post-Enron World*. Retrieved June, 2005, from http://www.guidestar.org/news/features/nonprofit_boards.jsp
- Schweitzer, Carol. (2004). Balancing Act. *Association Management*, 56(1), 34-41. Retrieved June, 2005, from Business Source Premier Database.
- Seel, Keith & Angelini, Anita. (2004). Strengthening the Capacity of Executive Directors. Paper presented at the Association for Research on Nonprofit and Voluntary Action, Los Angeles, November 2004. <http://www.hrcouncil.ca/initiatives/NLICalgaryFinal.pdf>
- SCORE. (n.d.) Serving on a Nonprofit Board of Directors. Retrieved June, 2005, from: <http://www.scoreknox.org/library/serving.htm>
- Stone, Melissa Middleton. (1996). Competing Contexts: The Evolution of a Nonprofit Organization's Governance System in Multiple Environments. *Administration and Society*, 28(1), 61-89. Retrieved June, 2005, from ABI/INFORM Global Database.
- Suda, L. (2001). Learning circles: Democratic pools of knowledge. *ARIS Resources Bulletin* 12(2), 1-4.
- Wade, S. & Hammick, M. (1999). Action learning circles. *Teaching in higher education*, 4(2), 163-178.
- Walsh, Joseph A. (2002). Nonprofit Boards: Eight Leadership Development Stories. *Nonprofit World*, 20(1), 11-17. Retrieved June, 2005, from ABI/INFORM Global database.
- Waters, Winston S. (2001). A Critical Analysis of the Directors' Protocol in New York's Not For Profit and Business Corporations. *Corporate Governance*, 1(3), 20-23. Retrieved June, 2005, from ABI/INFORM Global Database.
- Wilensky, Ava S. & Hansen, Carol D. (2001). Understanding the Work Beliefs of Nonprofit Executives Through Organizational Stories. *Human Resource*

Development Quarterly, 12(3), 223-239. Retrieved June, 2005, from ABI/INFORM
Global Database.