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Hearts and Minds: An Analysis of Checks and Safeguards, Monitoring, and Performance Review of Executive Boards and Their Executive Directors within Select Nonprofit Corporations.

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HEARTS AND MINDS: AN ANALYSIS OF CHECKS AND SAFEGUARDS, MONITORING, AND PERFORMANCE REVIEW OF EXECUTIVE BOARDS AND THEIR EXECUTIVE DIRECTORS WITHIN SELECT NONPROFIT CORPORATIONS

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ABSTRACT

Horror stories of ineffective nonprofit organization management arise in the media far too often. When these stories emerge, the public demands accountability from those responsible. Ultimately, accountability rests with the fiduciaries of the organization. For nonprofit organizations in the United States, fiduciary responsibility and accountability reside with the board of directors.

Board governance has been widely studied in the for-profit sector. Due to the critical nature of the work nonprofits perform, there has been an increasing effort to study board governance in nonprofit organizations. Employing in depth interviews, with both executive directors and board members, checks and safeguards such as contracts, performance review, and monitoring were examined. What began as an exploration of two-competing theories (Agency Theory and Stewardship Theory), resulted in the unmasking of the subtlety of effective governance (both contractual and socio-relational), the illusory promises of formalization, and a novel application of Kingdom's Multiple Streams Approach (MSA) in nonprofit board governance.

DEDICATION

I would like to dedicate this dissertation to those working every day in the nonprofit sector to accomplish their missions with limited resources. I dedicate this to those who support those in need, heal those in pain, secure those in danger, shelter those in fear, and catch those who would otherwise fall through the cracks of society were it not for their efforts. I dedicate it to those who help others as I was once helped.

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CHAPTER I

INTRODUCTION

In a case study highlighted by Libby & Deitrick (2017), the importance of proper board oversight is seen clearly. A board member of a prominent ballet company reported that, while at the airport and returning from a 3-week vacation, she received a phone call from a local reporter. The reporter found the board member's contact information through an online search and wanted to know why the ballet was closing. Moreover, the reporter wanted to know why the executive director was being given hundreds of thousands of dollars in severance while many instructors and students were going to find themselves unemployed.

The board member being asked responded (unwisely, it turns out) that she was unaware of any closure. She reported being gone for 3 weeks, missing only a single board meeting, and that closure was not being discussed when she had left. She admitted that the ballet company struggled financially, but not so much that it would close. She was aware, however, that the executive director planned on retiring the next year. She was not prepared for the media onslaught that followed. She had been left in the dark and was about to be blinded by an ugly truth.

Within days, it became clear. There had been a board meeting while she was on vacation. In that meeting, 25 of 47 board members attended. A case was made by the executive committee to close the ballet's doors rather than face possible bankruptcy the next year. It turned out the executive director had been the one who recommended closure instead of attempting to make up the $1 million budget shortfall. With only a fraction of the board present, but enough to meet quorum requirements, the board voted to close the ballet. While the executive director had planned on retiring the next year anyway, the fact that the entire ballet was closing would trigger the severance clause in his contract. This was worth 450,000 dollars (Libby & Deitrick, 2017).

Nonprofit organizations share many characteristics with conventional corporations. However, they present unique sets of challenges as well. Greatest among these challenges relates to the fiduciary responsibilities of the board of directors and their relationship to the executive director. Aligning the interests of board members (principals) and their executive directors (agents) is critical, but unlike for-profit corporations, nonprofit corporations do not have the ability to align stakeholders' interests through issuing stock in the corporation.

501 (c) 3 Nonprofit Organizations

The first step to addressing nonprofit-board management is to define the sector. It is worth noting that nonprofit organizations are defined differently in the United States than they are internationally. For the purposes of this examination, we will begin with a review of the definitions put forward in the United States Internal Revenue Service (IRS) tax code.

> The exempt purposes set forth in section 501I (3) are charitable, religious, educational, scientific, literary, testing for public safety, fostering national or international amateur sports competition, and preventing cruelty to children or animals. The term charitable is used in its generally accepted legal sense and includes relief of the poor, the distressed, or the underprivileged; advancement of religion; advancement of education or science; erecting or maintaining public buildings, monuments, or works; lessening the burdens of government; lessening neighborhood tensions; eliminating prejudice and discrimination;

> defending human and civil rights secured by law; and combating community deterioration and juvenile delinquency.
>
> www.irs.gov

Churches, colleges, food banks, parent teacher organizations, museums, the Automobile Association of America (AAA), credit unions, and little leagues (among many others) all fit into this very broad basket. The term "nonprofit" applies unequivocally to them all and yet their role, function, and operation are widely different. From this point forward, we will constrain the topic to discuss Hansmann's definition of "true" nonprofits:

> "True" nonprofits – that is firms, first that are formally organized as either nonprofit corporations or charitable trusts. These organizations are all characterized by the fact that they are subject, by the laws of the state in which they were formed, to a constraint-which I call the "non-distribution constraint"- that prohibits the distribution of residual earnings to individuals who exercise control over the firm, such as officers, directors, or members. Note that nonprofits are *not* prohibited from earning profits: rather, they must simply devote any surplus to financing future services or distribute it to non-controlling persons.
>
> (Hansmann, 1987, p. 28)

There are two forms of intra-organizational structure a nonprofit organization can assume. In one form, the board chair/president takes on the role and responsibilities of the executive director. Often, these organizations are run entirely in-house and often have very small annual budgets (Bernstein, Buse, & Slatten, 2015). Board members perform most, if not all, of the administrative responsibilities.

In the second form, typically used in larger organizations, the board maintains fiduciary responsibilities, but hires an executive director to carry out the strategic initiatives of the board. The executive directors are hired, recruited, and evaluated by the board (Bernstein, Buse, & Slatten, 2015). This form, most common among medium and large agencies, is of primary interest in this paper.

The board of directors of a nonprofit organization is responsible for executing the organization's mission while observing responsibilities of loyalty, care, and obedience (Bernstein, Buse, & Slatten, 2015). It is the board's obligation to interpret the mission of the organization as established by the founder or amended by the board and to consider the public's benefit at all times (Gassler, 1986). These roles and responsibilities, while held by the board, are generally delegated to an executive director who oversees the day-to-day responsibilities of managing the organization (Manzetti & Mehta, 2015). Fidelity of communication between the board and the executive director is critical (Denise, Kerrick, D'Mello, & Petrosko, 2015).

CHAPTER 2

LITERATURE REVIEW

Numerous theories have been applied to the study of the behavior of boards and executive officers. In the for-profit space, these have included Agency Theory, Resource Dependency Theory, Institutional Theory, Stakeholder Theory, Shareholder Theory, Prospect Theory, and Behavioral Decision Theory. In the nonprofit space, theories applied have included Agency Theory, Resource Dependency Theory, Institutional Theory, Contingency Theory, and Stewardship Theory. One theory worth noting from public administration that will be discussed in this paper is Kingdon's Multiple Streams Theory of policy formation (Kingdon, 1995). Each is a unique lens deployed to examine and make sense of diverse observational data.

Many of the theories commonly applied to conventional for-profit firms are applicable in the nonprofit sector since, sans their special-tax designation, the challenges of existing in competitive environments remain similar (Gassler, 1986; Forbes & Milliken, 1999). There are significant differences in purpose for which not-for-profit and for-profit businesses are created. Each deserves an analysis sensitive to these distinctions (Green & Griesinger, 1996). Furthermore, a variety of incongruencies arise from the lack of shareholders and nonprofit organizations' inability to sell stock as a means of accessing capital markets (Gassler, 1986).

What follows is a series of theories that have been applied in the nonprofit space to account for the behaviors of nonprofit boards of directors. They vary in specificity relative to aspects of board performance. They share a common focus on attempting to explain organizational performance or organizational efficiency and how it relates to board practices.

3-Theory Framework

In 2006, Ostrower and Stone (2006) compiled a literature review of economic theories as applied to the nonprofit sector at that time. While many theories were discussed, the three major themes were summarized in the following table:

Table 1 Theory Summary (Miller-Millensen 2003 pgs. 530-531)

Theoretical framework	Focus	Best practice	Private sector boards	Nonprofit Boards
Agency theory	Separating ownership and control Monitoring agency action to assure managerial behavior is congruent with stakeholder expectations	Determine the mission and purpose	Focus is on monitoring managerial action to assure activities increase shareholder wealth	Emphasis is placed on the board's role in developing the mission and purpose
		Approve and monitor the organization's programs and services	Emphasis is placed on using financial indicators to assess program effectiveness	Focus is on establishing program evaluation criteria to assure that existing and proposed programs reflect mission and purpose
		Evaluate the chief executive's performance	Reflects the board's evaluation of CEO contribution to corporate goal of maximizing shareholder wealth	Reflects board satisfaction with the chief executive's actions in support of mission and purpose
		Ensure effective organizational planning	Focus is on providing insight regarding critical actions such as acquisitions, divestitures, or takeover bids	Emphasis is on translating the mission and purpose into measurable goals and objectives
		Establish fiscal policies and financial controls	Monitoring financial indicators such as market share, return on investment, and profit	Focus on monitoring resource allocation decisions to assure congruence with mission-related priorities
Resource dependence theory	Linking the organization with its environment	Identify candidates who can improve	The goal is to improve	The goal is to link organization to constituent groups

		access to information	coordination among firms	with the requisite knowledge to contribute to the governance process
		Provide adequate resources for the organization	Emphasis on establishing board interlocks with financial institutions to facilitate the firm's access to cash	Focus is on boundary-spanning functions to increase flow of critical resources
		Advance the organization's public image	Focus in on enhancing reputation through networking	Focus is on serving as ambassadors, advocates, and community representatives
Institutional Theory	Conforming to institutional pressures that legitimate governance practices	Assure that basic legal and ethical responsibilities are fulfilled	Adhere to legal mandates and statutory requirements	Adhere to legal mandates and statutory requirements
		Assure board effectiveness	Appraise board performance	Appraise board performance

Agency Theory

Agency Theory emerged from academic explorations of the challenges associated with risk-sharing enterprises and organizational structures in the late-1960s (Eisenhardt, 1989). The setting for Agency Theory application occurs "when cooperating parties have different goals and division of labor" (Eisenhardt, 1989, p. 58). Parties that do the delegating are called "Principals," while those carrying out the delegated work are called "Agents" (Shapiro, 2005). Agency Theory addresses the challenges that come on the principal-side and on the agent-side by stating:

> The first is the *agency problem* that arises when (a) the desires or goals of the principal and agent conflict and (b) it is difficult or expensive for the principal to verify what the agent is actually doing.
>
> (Eisenhardt, 1989, p. 58)

The relationship between principals and agents can spark conflict between goals and desires. Risk-sharing, risk-seeking, and risk-averse preferences lead to the possibility of making different decisions with the same variables being considered by two separate actors with different motivations. As subsequently noted by Eisenhardt:

> The second is the problem of *risk sharing* that arises when the principal and agent have different attitudes toward risk. The problem here is that the principal and the agent may prefer different actions because of different risk preferences.
>
> (Eisenhardt, 1989, p. 58)

When applied to nonprofits, or any firm, Agency Theory quickly becomes somewhat muddled in that there are arguably multiple principals and diverse agents (Van Puyvelde et al., 2012; Hopt & Von Hippel, 2010). As Shapiro expresses in a summary of Agency Theory:

> The assumption of a solitary principal and agent is invariably extended to include multiple principals and agents. This is not just a matter of verisimilitude. Theories become much more complex (and interesting) when they allow for the possibility that collections or teams of principals (or agents) disagree or compete over interests and goals, feature of agency relationships Adams (1996) dubs the "Hydra factor."
>
> (Shapiro, 2005, p. 267)

Notwithstanding the unsavoriness of the ballet company case study, many non-profits function without contracts. Nonprofits are a strange breed. In comparison to for-profits, which focus on maximizing profit for shareholders, public agencies seek to maximize voter-identified values and interests while maximizing equity and fairness (Denhardt, 2004). Nonprofits are inherently challenged and disparately conflicted (Manzetti & Mehta, 2015). On one hand, they suffer from many of the same problems as for-profit businesses such as personnel management and/or cash liquidity concerns. On the other hand, they have fewer means to fund the solutions to those problems due to the inherent lack of profitability in the work they perform (Dolnicar, Irvine, & Lazarevski, 2008).

Besides Agency Theory, other theories seek to explain why boards act the way they do. These include Resource-Dependency Theory, Institutional Theory, and Stewardship theory. While each will be subsequently reviewed, Stewardship Theory stands in stark contrast to Agency Theory. Stewardship Theory acknowledges that sometimes people are good on their own. People often have the integrity and intrinsic motivation to fulfill obligations for performance and production. When thinking about local Girl Scout troops, little leagues, and animal care nonprofits, these instances are perhaps far more common and cannot be easily explained by the arguably more cynical – Agency Theory.

Resource-Dependency Theory

Resource Dependency Theory is useful when analyzing an organization’s behavior within the context of its overall environment. With regards to this particular study, which focuses on the attitudes of executive directors and their boards of directors, it is less-desirous to use this particular framework.

Interests are the motivations that are derived from values (Fisher, Ury, & Patton, 1991). What is valued is highly dependent upon the perception of the overall goals of the agency. The value of any particular resource relates to its scarcity, necessity, and use within the organization. As Malatita highlights:

> RD rests on a few straightforward principles. First, an organization needs resources to survive and to pursue its goals. Second, an organization can obtain resources from its environment or, more simply, from other organizations. Third, power and its inverse, dependence, play key roles in understanding inter-organizational relationships. This last principle implies that the balance of power usually favors the organization that possesses what other organizations need.
>
> (Malatesta & Smith, 2014, p. 14).

Institutional Theory:

Every organization, whether non-profit or otherwise, is subject to "internal pressures, rules, norms, and sactions" (Miller-Millesen, 2003, p. 522). Institutional Theory views the practices of nonprofit boards through the lens of the codification-of-behaviors and practices as-they-exist in other similar institutions. While this theory is particularly useful when looking at board practices generally and across time, it places high value on the role of trust (Dimaggio & Anheier, 1990). Modern Institutional Theory also includes neoinstitutionalism and consideration of Trust vs. Risk. Familiar organizational structures often command greater degrees of trust, simply by virtue of the familiarity of their structure (Ostrower & Stone, 2009). As Anheier highlights, "Trust is highly sensitive to significant violations. In contrast to risk, which can be envisioned as a continuous variable, trust is binary" (Anheier, 1995, p. 20). Since this study is focused on checks and safeguards, attitudes, and perceptions of mission, Institutional Theory was not selected for in-depth analysis.

Agency, Resource Dependence, and Institutional Theory Synthesis by Miller-Millesen

Suffice it to say, the body of knowledge and theory surrounding nonprofit board governance is incomplete and given the importance of nonprofit organization, proper governance in a healthy society demands attention. Citing a presentation by Ostrower and Stone, Miller-Millesen stated in 2003:

> "There are major gaps in our theoretical and empirical knowledge" regarding nonprofit boards of directors. The authors acknowledged a small but growing body of research suggesting an increase in scholarly attention to and interest in "understanding rather than describing" board governance.
>
> (Miller-Millesen, 2003, p. 521).

Selecting the proper theory for application has been challenging to say the least. Three theories readily emerge to describe board behaviors. These are Agency Theory, Resource Dependency Theory, and Institutional Theory (Miller-Millesen, 2003). In summarizing the state of research at the time, Miller-Millesen highlights, "Each theory paints an incomplete picture of a highly complex phenomenon because each theory focuses on a different set of activities and functions" (Miller-Millesen, 2003, p. 522).

In 2005, a board literature review regarding board management for both for-profit and nonprofit boards found more than 14,000 papers, 277 specifically dealing with nonprofit boards (Hough, 2005, p. 4). There is an abundance of scholarly activity in the space. Consolidating findings into clearer models is necessary for better understanding. The 6 Theory Model is one effort at clarifying consolidation.

6-Theory Model of Best Board Practices

Drawing from a subset of economic theories as applied to organizations' boards behaviors (Hough et al., 2005), the following 6-Theory Model has been selected for specific application to nonprofit boards:

Table 2 6-Theory Model of Best Board Practices (Miller-Millesen 2003 pgs. 530-531)

Theoretical framework	Focus	Best practice	Private sector boards	Nonprofit Boards
Agency theory	Separating ownership and control Monitoring agency action to assure managerial behavior is congruent with stakeholder expectations	Determine the mission and purpose	Focus is on monitoring managerial action to assure activities increase shareholder wealth	Emphasis is placed on the board's role in developing the mission and purpose
		Approve and monitor the organization's programs and services	Emphasis is placed on using financial indicators to assess program effectiveness	Focus is on establishing program evaluation criteria to assure that existing and proposed programs reflect mission and purpose
		Evaluate the chief executive's performance	Reflects the board's evaluation of CEO contribution to corporate goal of maximizing shareholder wealth	Reflects board satisfaction with the chief executive's actions in support of mission and purpose
		Ensure effective organizational planning	Focus is on providing insight regarding critical actions such as acquisitions, divestitures, or takeover bids	Emphasis is on translating the mission and purpose into measurable goals and objectives
		Establish fiscal policies and financial controls	Monitoring financial indicators such as market share, return on investment, and profit	Focus on monitoring resource allocation decisions to assure congruence with mission-related priorities
Resource dependence theory	Linking the organization with its environment	Identify candidates who can improve access to information	The goal is to improve coordination among firms	The goal is to link organization to constituent groups with the requisite knowledge to contribute to the governance process
		Provide adequate resources for the organization	Emphasis on establishing board interlocks with financial institutions	Focus is on boundary-spanning functions to increase flow of critical resources

			to facilitate the firm's access to cash	
		Advance the organization's public image	Focus in on enhancing reputation through networking	Focus is on serving as ambassadors, advocates, and community representatives
Institutional Theory	Conforming to institutional pressures that legitimate governance practices	Assure that basic legal and ethical responsibilities are fulfilled	Adhere to legal mandates and statutory requirements	Adhere to legal mandates and statutory requirements
		Assure board effectiveness	Appraise board performance	Appraise board performance
Contingency Theory (Ostrower and Stone 2009)	Integrates internal board characteristics with external variables.	Recruit carefully to match internal capacity with environmental needs.	Allow for CEOs to also Chair the Board of Directors	Executive Directors who are either Presidents or voting members on the Board of Directors.
Stakeholder Theory	Guaranteeing the investments of the multiplicity of stakeholders in an organization.	Internal and External stakeholders are known and accountability safeguards exist to all stakeholders.	All Stakeholders are known and their interests are considered by the board.	All Stakeholders are known and their interests are considered by the board.
Stewardship Theory	Enabling CEOs through additional power, autonomy, and unity of command	Allow CEOs to also Chair the Board of Directors	Allow for CEOs to also Chair the Board of Directors	Executive Directors who are either Presidents or voting members on the Board of Directors.

In an article reviewing and summarizing the state of nonprofit board governance theory, Marc Jegers concluded, "It is fair to say that a coherent economic theory on nonprofit governance has not yet emerged from the research" (Jegers, 2009, p. 158). There is no unified theory of nonprofit management. Certain theories work in certain operations of nonprofit organizations to explain their behaviors.

While there exists a fair amount of knowledge regarding the connection between boards and organizational efficiency (Green & Griesinger, 1996), the internal transfer of knowledge between boards and their executive directors is far less well understood. Explored to some extent, Miller notes:

> Most of the literature on nonprofit board governance is normative rather than explanatory: it prescribes rather than describes behavior. This means that scholars have

not explicitly detailed the theoretical assumptions underpinning normative assertions about how a board ought to behave. It also means that different theories might be useful for explaining different behaviors

(Miller, 2002, p. 430).

Hypotheses Within the context of Agency and Stewardship Theory

Now that identifiable best practices have been established, the application of these practices can be predicted within two theories selected for deeper qualitative analysis. Those theories are Agency Theory and Stewardship Theory. In the table that follows, the framework for organizational checks and safeguarding is laid out alongside hypotheses that would be expected when viewed primarily through Agency Theory or Stewardship Theory.

Table 3 Agency Theory and Stewardship Theory Hypotheses

Variable	Subsets	Agency Theory Hypotheses	Stewardship Theory Hypotheses
Checks and Safeguards	Contracts	Contracts will be well written, durable, and known to all parties.	Contracts may exist, but the details may not be regularly reviewed or known by all parties. Parties will express a sense of trust in the purpose, role, and mission of the organization.
	Monitoring	Monitoring policies will be written, redundant, and regularly reviewed.	Policies may or not be written, they may exist in places not reviewable by all parties, and may not be known by all parties.
	Performance Review	Both board members and the executive director will be reviewed regularly. Performance targets will be pre-established and known to all parties.	Performance reviews may be done unofficially, and reported as a general sense of an individual's commitment to the organization, rather than broken apart into individual performance factors.
Attitudes	Motivations	Motivations will be primarily linked to contractual incentives.	Motivations are likely to be mission and impact focused rather than pay or prestige. Board members may report a personal story for their affiliation with the organization, rather than one of prestige.
	Recruitment Perspectives	Hiring will be deliberate with large searches and evidences of previous successes, not alignment with the cause, will be primarily considered.	Recruitment perspectives are more likely to be focused on passion and service, rather than skill-focused and needs-based analyses. Both boards and executive directors are likely to report passion and affinity as primary considerations for recruitment.
Structural Variables	Board Attributes	Boards will be larger, meet frequently, maintain stringent criteria when selecting board members, and isolate the CEO from voting.	Boards will be smaller in size, meet infrequently, have informal selection criteria for new members, and the bylaws may allow the ED to vote.
	Internal Organizational characteristics	Organizations will be older, larger (by annual expenses), and have a paid-professional CEO.	Organizations will be newer, smaller (by annual expenses), and may have an unpaid/undercompensated CEO relative to comparable positions at similarly sized organizations.
	External Environmental Characteristics	Organization will subject itself to multiple audits (State and Third Party), and will include diversified and stringent funding sources including Federal, State, and Local grant sources.	Organization may or may not participate in an annual audit of its financial statements. Sources will be less formalized and diversified. More stringent funding sources may not be sought.

Behavioral Agency Modeling (BAM)

As highlighted by Pepper and Gore (2015), Behavioral Agency Modeling builds upon the works of early Agency Theorists like Spencer and Zeckhauser (Spence & Zeckhauser, 1971), Eisenhardt (Eisenhardt, 1989), and Jensen and Meckling (Jensen & Meckling, 1976) (Pepper & Gore, 2015). Combining portions of Agency Theory with Prospect Theory (Gomez-Mejia & Wiseman, 1998) and supplementing it with acknowledgement of the complex dynamics at play within any organization, this theory is necessary to appreciate later findings in this research. As Pepper and Gore (2015) highlight:

> In contrast to the standard agency framework, which focuses on monitoring costs and incentive alignment, behavioral agency theory places agent performance and work motivation at the center of the agency model, arguing that the interests of shareholders and their agents are most likely to be aligned if executives are motivated to perform to the best of their abilities, given the available opportunities.
>
> (Pepper & Gore, 2015, p. 1046)

It must not be missed that there are core assumptions at play in positive Agency Theory that are not applicable in this particular research. For example, primary assumptions of Agency Theory as generally applied by business management scholars and Organization Theory scholars are that "organizations are profit seeking, that agents are both rational and rent seeking, and that there is no nonpecuniary agent motivation" (Pepper & Gore, 2015, p. 1047). Clearly, in nonprofit organizations, profit cannot be said to be the goal of the principal in the principal/agent relationship. Agency cost is identical in all regards. "The sum of the monitoring expenditures of the principal, the bonding expenditures of the agent, and the residual loss in welfare experienced by the principal as a result of the divergence of interests between the principal and the agent" (Pepper & Gore, 2015, p. 1048). Clearly, agency cost is a factor in nonprofit governance as well.

Kindgon's Multiple Streams Theory

Another theory that will be necessary to understand the findings later in the research comes from public administration literature regarding policy formation. Building upon the

Garbage Can Model initially put forward by Cohen, Olsen, and March (1972), Kingdon's Multiple Streams Approach (MSA) advances understanding of policy choice. MSA holds that in any given political sphere, there are concurrent streams of possible problems to solve, possible solutions to those problems, and varying political resources to accomplish political changes (Henstra, 2010). Occasionally, leaders or "policy entrepreneurs" as described by Kingdon (1995), will emerge as managers to successfully merge those 3-concurrently flowing streams. This results in policy change during the opening of what Kindgon (1995) describes as a "policy window" (Sabatier, 2007).

In a study by Jones et al (2016), MSA research applications from 2000-2015 were analyzed in a meta-review. The framework was developed to understand and explain the emergence of policy in "organized anarchies" (Jones et al., 2016). Initially, this model was applied to Federal Congressional Policy (Henstra, 2010). In the nearly twenty years since, MSA has been applied in "65 different countries, at multiple levels of governance, across 22 different policy areas, and by researches spanning the globe" (Jones et al., 2016, p. 13). While MSA has become increasingly popular and has been applied across a vast area of tenable areas of research interest, it has not yet been applied in the space of nonprofit board governance. It's application in this research is a first.

Checks and Safeguards

Contracts, Monitoring, and Performance Review are all methods of maintaining checks and safeguards within an organization The presence, relative robustness, and severity of consequences if contractual obligations are not met are informative of an organization's view and treatment of contracts as a check and safeguard (Anthony, 1980).

Monitoring methods, including regularity and redundancy, are critical to consider when analyzing an organization's commitment to internal administrative checks and safeguards. Whether these policies are written, reviewable, and widely known will inform whether or not monitoring is occurring effectively and regularly as well as whether it serves as an actual check and safeguard in the organization (Bushman, Injejikian, & Smith, 1996).

Of the three primary sectors of our economy (public, private, and nonprofit), it is the nonprofit sector that is least understood and arguably the most difficult to manage (Bernstein et al., 2015). On one hand, board members serve as fiduciaries of the public and are charged with the duties of loyalty, care, and obedience (Herman & Renz, 2000). Each of these duties require accurate and timely information to verify compliance. While the duties of loyalty can be self-policed with an active board and a well-written Conflict-of-Interest Policy (Bhandari, 2010), the Duties of Care and Obedience are more complicated (Bhandari, 2010). The Duty of Obedience require subservience to law and regulation. It is in the Duty of Care where communication of effective checks and safeguards is placed under the greatest strain (Hazen, 2012).

Attitudes

As Peter Drucker elaborated in 1989, "The businesses I work with start their planning with financial returns...the nonprofits start with the performance of their mission" (Drucker, 1989, p. 1). Drucker further elaborated on the challenges this creates in managing nonprofits when he was cited by the University of Florida in their The Third Sector Blog, "Nonprofits need more, not less, management, precisely because they don't have a financial bottom-line. Both their mission and their ‘product’ has to be clearly defined and constantly assessed” (The Third Sector, 2008, p. 1). This recognition presents both challenges and opportunities.

According to Silva (2005), motivations matter. Not only do motivations matter to executive officers, but the board motivation is an important component of organizational performance (Bushman, Injejikian, & Smith, 1996). In the Silva study, seven questions were asked. The questions built upon an earlier job satisfaction study developed by Hackman and Oldham (Hackman & Oldham, 1975).

Four categories of Independent variables were analyzed in the Silva model. These included: 1. Ownership, as measured by whether the board was issued stock options; 2. Stock value-if the board was issued stock options; 3. Board salary; and 4. Board motivation. Since nonprofit organizations are unable to issue stock, and board members are not allowed to profit from membership in any way, the first three measures are not applicable to nonprofit boards. The fourth measure (the level of perceived involvement and perception of importance) is directly applicable (Silva, 2005). Silva (2005) utilized the following seven (7) questions, adapted from the Hackman & Oldham Diagnostic instrument, in their study:

1. Most decisions made by the board of directors are completely independent from CEO intervention.
2. I feel that my participation in board decision making is valued by my board members.
3. The CEO’s opinion in board discussions is integral to the discussions of board members.
4. Being a board member is important to me.

5. The decisions I make significantly affect the lives and well-being of others.
6. I have a lot of autonomy in my job as a board member. I have a lot of freedom in doing my work.
7. My job as a board member gives me many chances to use my personal initiative or judgment in carrying out my duties.

(Silva, 2005, p. 352)

Structural Variables

Certain structural variables should be considered when analyzing the checks and safeguards, attitudes, and flow of information within an organization. As Ostrower and Stone (2009, p. 7) delineated below:

Table 4 Board Characteristics (Ostrower and Stone 2009, pg 7)

Categories of Independent Variables		
Board Attributes	**Internal Organizational Characteristics**	**External Environmental Characteristics**
Number of voting members (board size)	Age	Field of Activity (Culture, Education, Health, Human Services, Other)
Number of board meetings per year	Size (annual expenses)	Percentage of Funding from various sources including government, foundations, individuals, fees, endowment
Board Composition -Is the CEO a voting board member -Do members sit on corporate boards? -Percentage minority members -Percentage female -Percentage employed by business	Professionalization (has a CEO that is a paid professional staff member)	Is the organization subject to a state audit requirement?

Do organizational members elect one or more members?	Is the organization in a period of change?	
Criteria used when recruiting members		

Local Perspective

Given the local focus and prioritization for this research, the known state of the Nonprofit Sector Governance and Connectedness in Southern Nevada is worth mentioning. In a study commissioned by the Lincy Institute, and led by Dr. Monnat, a Social Network Census was performed on Social-Sector Nonprofits active in Southern Nevada. Social Network Analyses are increasingly utilized to support a variety of economic efforts worldwide. As highlighted in the report by Dr. Monnat:

> Social network analysis provides information about both the structure of the non-profit network as a whole as well as the positions of individual organizations within the network. Network analysis enables us to determine the most well-connected and influential organizations within a network as well as the overall cohesiveness of the network.
>
> (Monnat & Smedley, 2013, p. 11)

Being well-positioned in the network represents access to knowledge and resources. Given resource scarcity in the social sector, this is key for getting things done without the presence of slack resources in the system. The study began with the recognition of need. As stated by Monnat and Smedley (2013):

> There is a need within southern Nevada to manage non-profit organizations efficiently and effectively and to augment non-profit organizations' abilities to build adaptive programs, and successfully compete for federal and foundational grant funding, and effectively serve the residents of southern Nevada.
>
> (Monnat & Smedley, 2013, p. 5)

The Monnat Study uncovered numerous challenges to developing the goal of a well-integrated, effective, and well-resourced nonprofit sector in Southern Nevada. These included "territoriality, silos, and competition; the need for knowledge and training; concern about the lack of data availability and usage; the desire for more opportunities for meeting and networking; critiques of leadership" (Monnat & Smedley, 2013, p. 26). Nevertheless, the study emphasizes that, despite the challenges, there remain "reflections of hope and promise for the non-profit community in southern Nevada" (Monnat & Smedley, 2013, p. 26).

Research Question: Agency Theory or Stewardship Theory: Which Best Accounts for the Practices and Perspectives Within Select Nonprofit Organizations?

Nonprofit boards have tremendous leeway when structuring the relationship between themselves and the executive directors they manage. The board has the authority and duty to motivate the executive director to accomplish agency goals toward the fulfillment of its mission. This can take the form of rigid contracts, regular-written evaluations, and tiered-bonus incentives. Alternatively, it can take the form of high-levels of delegated authority, handshake contracts, and informal evaluations.

After reviewing possible methodological approaches, Grounded Theory quickly appealed as the forerunner most likely to deliver salient and useful inductive insight into a gap in the literature. Still, as highlighted by Bowen (2005), in some cases the best selection is Grounded Theory with case studies becoming the product, rather than the method of the research. Built upon formal theories, Non-Positivist Grounded Theory is best able to “springboard” this research forward and generate new theory (Strauss & Glaser, 1967, p. 95).

Bowen on trustworthiness, citing Denzin and Lincoln regarding four factors that should be considered when examining trustworthiness include: “credibility, transferability, dependability, and confirmability” (Bowen, 2005, p. 214). Trustworthiness is thus presented credibly when research seeks to establish some or all of the following: prolonged engagement, triangulation, document review, peer debriefing and support, member checking, negative case analysis, and auditing (Bowen, 2005).

CHAPTER 3

METHODOLOGY

Several different sampling techniques were considered for this dissertation. Initially, stratified random sampling was considered. In this approach, organization lists would be downloaded from the IRS database of registered, geographically constrained, and income-ranked nonprofit organizations. Problems with this approach included inclusion of small nonprofits with highly variable structure, size, impact, and area of service (i.e. little leagues and parent teacher associations). Additional challenges would include lack of presence of agencies headquartered and federally registered in other states (e.g., ALA or AMA, etc.) which have significant capacity and program activity locally, but would be lost when the samples were geographically bounded using IRS databases.

Bounded-selection

Upon reviewing IRS form-990 filings for all agencies identified as over-performing agencies in the area of degree-centrality, 10 agencies were considered for inclusion in this study. Four of these agencies were associated primarily with resource development (i.e., fundraising). As the author is primarily interested in studying direct practice agencies and their performance, non-direct service agencies were excluded. The remaining six-agencies form a diverse pool from which to begin a qualitative analysis. Two additional agencies of comparable size were added to achieve a sampling of 8 agencies. These agencies were assured confidentiality in their participation and are thus not named herein.

Institutional Review Board (IRB) approval was obtained for the following instrument prior to scheduling interviews. Solicitations for in-person interviews were sent to the eight executive directors of the nonprofits selected. In-person recorded interviews were conducted with the executive directors. Second-round interviews were then conducted with the board member most closely associated with overseeing contracting, monitoring, and performance review. These were allowed to include the President (or its equivalent), Vice-President (or its equivalent), and Treasurer/Secretary (or its/their equivalent), or any Member of the Boards of these agencies. Consent to be recorded and advisement of anonymity were provided and obtained to all survey participants prior to being interviewed. Qualitative data obtained from the interviews were transcribed and analyzed to identify emergent themes. All records relating to this research are kept in a locked office and will be destroyed 2-years from publication.

Additional quantitative data, obtained through Guidestar filings, will be evaluated for descriptive comparison. These will include information about the following: Founding year, number of paid and unpaid employees, annual revenue, trends over time from 990 for past three filing years, and simple efficiency (revenue vs overhead).

Survey Instrument 1 Executive Director Interview

[Interviewer: "This is the Introduction: Many of the questions I'm about to ask are open ended. Please elaborate where possible. The goal is to explore organizational checks and safeguards: such as contracts, monitoring, and performance review. This will be compared with other agencies that, like your agency, scored above-expectations in degree centrality on the Social Network Analysis Census conducted by the Lincy Institute 2-years ago.

Some questions are broad and you may answer them as broadly as you wish. Alternatively, some questions are specific and you may answer them as *specifically as you wish. You may decline to answer any questions you don't feel comfortable answering. You may end the survey anytime. We expect it will less than one-hour to complete. Do you consent to taking this survey? If so, Please sign these forms (present informed consent documentation and authorization to be recorded).*

Executive Director

1) Checks and Safeguards:

   a) Contracts

      i) Standard questions:

         (1) What contracts exist within this organization?

         (2) How were they created?

         (3) Who, on the board, is responsible for overseeing them?

         (4) How are individuals held accountable in these contracts?

         (5) Would you make them available for this study?

      ii) Possible follow-up questions:

         (1) Does your organization have written job responsibilities for both the Executive Director and Board Members?

         (2) Do you have a written contract?

            (a) In your own words, being as specific as possible, what does it detail?

(3) Do you have a vote on the board?

(4) Does your organization have a written conflict of interest policy?

(a) In your own words, being as specific as possible, what does it detail?

b) Monitoring

i) Standard questions:

(1) How is your performance as an Executive Director monitored by the board? Please elaborate.

ii) Possible follow-up questions:

(1) Is your performance as an Executive Director monitored?

(a) What is monitored?

(2) In what ways are those (*restate responses*) monitored?

(3) What do you hold yourself accountable to produce, that no one checks on?

(4) Who determined what measures you're held accountable for producing?

c) Performance Review

i) Standard Questions

(1) How is your performance reviewed at your organization? Please elaborate.

ii) Possible follow-up questions:

(1) Is there a written policy for how this review is conducted?

(2) How often are you reviewed?

(3) Are performance targets known to both you and to the Board?

(4) What does it spell out that you're accountable, as the Executive Director, to produce?

(5) What are the consequences if the Executive Director meets their contractual obligations?

(6) Are there bonuses for meeting certain goals?

(7) Are the penalties for not meeting others?

(8) Are the criteria clear?

Survey Instrument 1 Board Member Interview

[Interviewer: "This is the Introduction: Many of the questions I'm about to ask are open ended. Please elaborate where possible. The goal is to explore organizational checks and safeguards: such as contracts, monitoring, and performance review. This will be compared with other agencies that, like your agency, scored above-expectations in degree centrality on the Social Network Analysis Census conducted by the Lincy Institute 2-years ago.

Some questions are broad and you may answer them as broadly as you wish. Alternatively, some questions are specific and you may answer them as specifically as you wish. You may decline to answer any questions you don't feel comfortable answering. You may end the survey anytime. We expect it will less than one-hour to complete. Do you consent to taking this survey? If so, Please *sign these forms (present informed consent documentation and authorization to be recorded).*

Board Member

2) Checks and Safeguards:

   a) Contracts

      i) Standard questions

         (1) What contracts exist within this organization?

         (2) How were they created?

         (3) Who on the board is responsible for overseeing them?

         (4) How are individuals held accountable in these contracts?

         (5) Would you make them available for this study?

      ii) Possible follow-up questions:

         (1) Does your organization have written job responsibilities for both the Executive Director and Board Members?

         (2) Did you sign a written contract?

            (a) In your own words, being as specific as possible, what does it detail?

         (3) Do you have a vote on the board?

         (4) Does your organization have a written conflict of interest policy?

            (a) In your own words, being as specific as possible, what does it detail?

b) Monitoring

i) Standard Questions:

(1) How is your performance, as a board member, monitored? Please elaborate.

(2) How is the performance of your executive director monitored?

ii) Possible follow up questions:

(1) In what ways are those (*restate responses*) monitored?

(2) What do you hold yourself accountable to produce, that no one checks on?

(3) Who determined what measures you're held accountable for producing?

iii) Is the performance of your Executive Director monitored? How so? Please elaborate.

(1) What is monitored?

(2) In what ways are those (*restate responses*) monitored?

(3) Who determined what measures the Executive Director would be held accountable for producing?

c) Performance Review

i) Standard Questions:

(1) How is the performance of the board reviewed at your organization?

(2) How is the performance of the executive director reviewed at your organizations?

ii) Possible follow-up questions:

(1) Is there a written policy for how this review is conducted?

(2) How often are you reviewed?

(3) Are performance targets known to both you and to the Board members?

(4) What does it spell out that you're accountable, as a Board Member, to produce?

(5) What are the consequences if a Board Member fails to meet their contractual obligations?

(6) Are there bonuses for meeting certain goals?

(7) Are the penalties for not meeting others?

(8) Are the criteria clear?

CHAPTER 4

RESEARCH FINDINGS

The following cases are arranged in order (from highest-to-lowest) by their calculated Formal Features Index (FFI). The FFI was developed especially for this research. The score indicates the presence and ordinal level of formalization of contracts, monitoring, performance review, and bonuses. The higher the FFI, the more formalized the checks and safeguard features within the agency. The FFI is calculated utilizing the following rubric:

Table 5 Formal Features Index Rubric

Area of Interest	Highest form of ED Oversight	FFI scoring value
Contracts	Signed Contract	4
	Unsigned Contract	3
	Signed Offer Letter	2
	Job Description	1
	No contract, letter, or description	0
Monitoring	Monthly	4
	Quarterly	3
	Annually	2
	Never	0
Performance Review	Formal, regular	4
	Informal, regular	3
	Irregular	2
	Never	0
Bonuses	Bonus (pre-determined, contingent)	4
	Bonus (non-predetermined, contingent)	3
	Bonus (non-contingent)	2
	No Bonus	0

The FFI total was calculated separately for each agency. The highest score possible in this Index is 16. Scores among all agencies ranked from 16 to 4.

Case study 1: "Casino Royale" (FFI Score 16)

This organization is a very-large social service sector nonprofit serving across multiple jurisdictions. Serving more than 100,000 clients each year, this organization is a fixture in the community in which it serves. It has been active for many decades and serves as an excellent case to begin to analyze the practices and perspectives active between executive directors and their boards of directors regarding contracts, monitoring, and performance review.

Contracts

Whereas some organizations had been operating without changes in their management structure for multiple years and across the tenure of multiple executive directors, this organization has recently restructured its management. Only days after the passing of the previous executive director, the current executive director received a phone call from the board chair saying, "We have no succession plan in place at the agency and we are not sure what we're going to do to go forward. Can you come and talk to us about helping us think through a succession plan?"

In the end, although with short lead time, a very successful succession plan was developed and implemented. This would be the beginning of a much longer relationship as the full time executive director. Speaking to his unique qualifications to be selected for the job, Executive Director A stated, "You know, I've run large organizations all over the country, gone into existing organizations, started new ones, hotel/casino resorts. So, I said I've done this, I've never done it for a non-profit, but I've run large agencies."

A contract was developed in concert between the executive director and the board of directors. The executive director was careful to include performance monitoring, clear goals, and an incentive focused bonus structure, much as one would find in an gaming for-profit corporation. The dynamic was reportedly working very well for all involved.

Monitoring

Monitoring at the agency occurs through various means. Due to the large size of the organization, a simple model worked best to describe the methods and areas of monitoring such a large and complex organization Executive Director A stated, “It is a pretty big business, so we set up the measurement stuff in five general areas, so we have operations, finance, development/fundraising, community relations, and then human resources.”

Elaborating on these five-principle areas, “These five areas serve as focal point for all subsequent monitoring. The board meets every other month to discuss these areas and to review the needs and progress of the organization.” Both the executive director and board are involved in the monitoring. “At the end of the year, I will do a soft appraisal and produce documentation and information to substantiate the results.” Building upon the idea of formalized structure and process they relayed, “that information is then given to the board of the executive committee then they review it and issue a recommendation to the full board and the executive session to ask what my employment review is. They present it to me typically called a Letter of Commendation.”

The combination of private sector experience and board oversight is important for the healthy operation of this organization. “So, it takes the form of very much I brought to the agency with my private sector background because I wanted to make sure that it was *very clear*.” Clarity arises as a principle reason concern of both the board chair and the executive director. It is declared to be the primary motivation for having such delineated contractual responsibilities. Executive Director A continued:

> I used that same document, those same goals to create the same goals for all of my agency. Direct reports so that there is good pyramidal alignment between what I am doing and my focus points are… so all of the directors and department heads here know what my goals are because they become a part of their goals.
>
> (Executive Director A)

The entire operation works to secure the accomplishment of the goals of the executive director and board. The respondent doesn't have an official vote on the board, but all board members do sign and complete conflict of interest forms. When asked what they hold themselves accountable to produce that no one checks on, Executive Director A responded, "So I have the mission statement for [redacted] on my desk. I keep it in the middle of my desk. I work hard to ensure that everything I am doing is supporting that mission statement."

Speaking to trust, "So, most of the things that I do on a daily basis are not monitored by the Board of Trustees. Frankly in our relationship, which is wonderful for me, is basically I inform them of what I think they need to be aware of." This selective passing-of-information is an emergent theme identified in the research. Not all information can be passed to the board, there simply isn't sufficient throughput or time.

Executive Director A continued, "Basically, I'm accountable and responsible for the healthy and productive operations of the agency. So, there are a lot of things that I do that the board doesn't need to know about per se. They trust me to make the right decision." Trust emerges as another theme. Moreover, “What I do is I inform them of what I think is important for them to know. It is in a way that doesn’t become over burdening.”

Monitoring also occurs through regular every-other-month meetings of the board with the executive director. Reports covering the five areas are reviewed and questions/concerns are raised when present. Bi-monthly meeting monitoring occurs with the full board present, but as Executive Director A relates, “I talk to the executive committee more frequently and I talk to my board president more frequently but with respect to the full board, we use the board meeting as really the mechanism to share results and sort outcomes.”

Management meetings occur at the agency each quarter. These meetings include “all the managers, directors, and VP’s. We meet and each meeting each department presents a very crisp perspective of their last quarter’s goal and their current goal and how they achieved-what they did.” The executive director invites all board members to attend. But, “it is voluntary, but we do ask that every board member try to attend at least one every year because that is a really good way for them to learn about the agency.” The executive director clearly wants the board to be as involved as possible in understanding the work and needs of the organization.

Board Member A responded that monitoring, aside from the bi-monthly board meetings, also occurred by paying attention to “the profile that we see coming through the community.” In addition, they stated:

> I see him very actively involved in communications and television interviews and monthly newsletters that we see and all the opportunities that we see him involved and actively participating in. He is very involved and actively engaged and to that extent I guess that’s the monitoring we do.
>
> (Board Member A)

Both Executive Director A and Board Member A were careful to highlight the collaborative nature of their management and oversight. There were clear moment of trust and admiration expressed when discussing monitoring. What could otherwise be seen as burdensome and tiring was instead communicated as a means of sharing successes with each other, the community, and their staff.

Performance Review

An official review of the executive director occurs via formal policy and procedure each year. Regarding bonuses linked to performance, "In my employment agreement, there is a maximum goal which is a percentage of my salary that the board can award me based on my achievement of those goals." The executive director was quick to highlight the discretionary nature of these bonuses, "They have the discretion to make a recommendation to those and award me that bonus if I chose to accept it. I have declined several bonuses with gratitude only because I felt that I wanted to give the money back to the agency."

In keeping with this sentiment of universal mission focus, Board Member A spoke to what would happen if the executive director didn't live up to expectations at a performance review: "I don't think we've even thought about it to be honest with you because he is doing such a great job and we are so appreciative of his talents and what he does." Additionally, the executive director highlighted at length the importance of trust and its role in contracts, monitoring, and performance review:

So, I think it is a very healthy relationship, a critical one certainly for me, to have a Board I can depend on and that the board depends on me. They trust me and I think that that is critical and I am grateful that I have that with the board. I think every board member, if you reached out to them, would say that they trust me, they believe in me, they believe in the mission and I feel the same way about them. That is a bit esoteric but it is very important to me, that level of relationship because everything else to me as far as the results and the communications and the assignments all come along with that."

(Executive Director A)

Summary

This executive director brought vast private-sector experience into their current role. Not only were bonus structure applied to all C-suite directors, but all goals were made to align with the organization's strategic plan. Although this organization scores among the highest of the ASI index, it is not missed that the executive director places an immense amount of trust in the board while acknowledging that they also apply immense amounts of trust in the executive director as well.

Case Study 2 "Never Again" (FFI Score 16)

Never Again recently hired a new executive director. This hire follows a very long tenure held by the previous executive director. This situation afforded an interesting perspective into the organization during a period of intentional transition and change. Although considerably smaller than the [Casino Royale] (approximately 1/10 the annual revenue), this organization still ranked very high in its FFI Score (16). Before hiring the new executive director, the organization experienced considerable upheaval with each board member working as no less than 10-hours per week/each to manage the stressful transition. This stress led to the imposition of very rigid Agency-theory like structures.

Contracts

The accountability structure for the executive director in this organization was incredibly intensive. Following the departure of the previous executive director, the board was clear that some of the problems that befell the organization were going to be addressed administratively through tight controls, oversight, and proper incentivization.

Regarding the newness of the hire and the new contract, they reported that it was completed by a board committee with the involvement of the incoming executive director "just a few weeks ago- a vigorous discussion!" Regarding the previous executive director's contract, "it was fluid. It was constantly changing. There were different variations of it. I know there was a 2003, 2007, 2009, and 2011 variation."

The constant reformatting of expectations through reformatting of the contract was communicated as a problem that shouldn't have been allowed to happen. While this was done in concert with the board, it was described by both Board Member B and Executive Director B, as having a been a failure of management. Board Member B communicated that this time, the goals would not change to meet the performance of the executive director, but that it would be the other way around. This time, the executive director would perform up to the goals, or they would be dismissed.

Prominently featured in the new executive director's contract is a 6-month and 12-month review. If certain goals are not being met at six months, then the Executive Director B has another 6-months to meet them or employment will be severed. Executive Director B was not hesitant to articulate the finality of the goals set for them, “If I am not reaching them we will have six months to find out why. If I am not performing, I will be replaced.”

Regarding the contract, numerous facets were described. In fact, the executive director was very clear on the content of the contract. Regarding the content he stated, “Fundraising goals- fundraising goals! That is the big one. It is really detailed on that.” Other aspects were clear as well:

> I can’t get into trouble. They don’t want me getting...like if I get arrested, I get fired. I can’t get into any kind of trouble. I can’t make the organization look bad. There’s specific points in there about that, public image.” Of course, they continued – “all the basic stuff on embezzling money and proper use of funds. I can’t pay my contractor, I can’t pay our work contractors to work on my home. It covers salary, possible bonuses, raises, my responsibilities as far as the flow organizational chart with me over the project manager, the program manager, and the operations manager and anyone else we hire under them.
>
> (Executive Director B)

There was no ambiguity regarding severability in the contract with the executive director, “I am employed at the discretion of the board instead of the other people that work here which are employed at my discretion.” Executive Director B was hired despite having never been an executive director before. The board, aware of this, built safeguards into the human resource development into the contract, “they want me to...continuing education is huge because I don’t have executive director experience. I have run the company for 6 months we are doing great everything is going in the right direction. Yet there is still a ton I don't know."

Expectations were not much different on the board-side. Board Member B reported that there was a contact for the executive director and a written-board expectation document that was signed by the board members annually. In fact, each board member re-signs their board expectation document each year. The expectations delineate responsibilities. The organization is small. As they related, "there are only a handful of employees there, so the board is bigger than the employees." Regarding the contract with the executive director, Board Member B stated, "the contract delineates salary, bonuses, performance structures, work expectations, philanthropy…once we get drafts with the ED, and once we agree to that…we will execute that contract with them." The reason for the care and concern is clear with this agency. As the Executive Director reported:

> This is after years of very fluid contracts that honestly weren't followed. There was not checks and balances. There was no oversight. They got into a position to where the entire board was working 10-hours a week, all of them, on top of their full-time jobs just trying to keep us afloat. They don't ever want us to be in that position again, so they created these strict guidelines.
>
> (Executive Director B)

Monitoring

Regarding monitoring, Executive Director B reiterated the 6-month/12-month review with subsequent annual reviews. There are also quarterly meetings. Regarding the style of those quarterly board meetings, “State of the Union type thing. State of the Organization.” When asked who gets to decide what gets reported, “we have a basic agenda and then I add to it. It is something we all put together. We talk about the same stuff every quarter.”

When asked what they hold themselves accountable to produce that no one checks on they stated, “My employee’s personal growth, increase in the number of clients, getting out our name out in creative and expanding ways, and continuing in my education on my own time and my own dollar for that matter.”

Board Member B related, “Broken down, monitoring the board is “showing up, doing the work, making sure that I am prepared for all the meetings, making sure that I understand the financials that I can help present or back…new initiatives, projects, expenditures along the way.” Monitoring thus occurs monthly officially with informal communication happening far more often.

Performance Review

Given the opportune timing of the interview in such a recently formalized review structure, additional questions were asked. There was not a written policy yet for how the review was to be conducted, but it was being prepared. Performance targets were being developed with the intention that they would be clear and known to both the board and the Executive Director B.

> I don’t think those matrices are in there to get rid of anybody. They are in there to make sure we are going in the right direction. If we’re not, they are going to come in and say, “How can we help? Is it you? Or are we doing something wrong?” We will figure it out and move forward together. That’s the whole point
>
> (Executive Director B)

Given the newness of the position, performance review was a work in progress. Reviews had been planned at 30 days/60 days/90 days as well as six months and twelve months. The board was clear that it did not want a problem to develop unnoticed. Regarding its own performance, the executive committee of the board meets annually. "We go board member-by-board member and go- Is [redacted] pulling his weight? It is very informal." Because of the newness of the recent changes, the exact policy for reviewing the performance of the executive director has not been finalized.

Consequences if a board member fails to meet their contractual obligations during a review include discussions, replacement, or dismissal. Board Member B stated, "The ED just did this and he called the board member and said, "Look, you have a contractual obligation to donate a minimum of X amount of dollars and you haven't done that for two years. Can you provide us with a reason or what you are going to do to remedy that?"

In cases where a board member is unable to perform a choice is offered, "We need a board member that is active. You can't!…can you appoint somebody else or somebody else from your organization who will show up? We have done that."

Summary

This organization was interviewed during a time of bitter transition. The previous executive director, despite being under-contract, left the organization in a bind (and in debt). The incoming executive director was tasked to resolve the bind and pay down the debt. While this organization was working to create the most formalized system of checks and safeguards it has ever deployed, it was being done in concert with the new executive director.

There seemed to be an understanding that the checks and safeguards being put in place were for the good of all. This echoed Casino Royale where there was an expressed understanding that the contract was designed to create clarity and promote the accomplishment of goals, not to restrict or bind the decision-making authority of the CEO. There was clear alignment of incentives and the contractual obligation between the organization, the executive director, and the board.

Case Study 3 "Bespoke" (FFI score 14)

Much like the previous organization, this organization recently underwent major revisions in management. Unlike the previous executive director, however, this organization's executive director left well-regarded by the board. In fact, the incoming executive director (Executive Director C) was groomed for the position. That said, a skeptical board made sure to build in regular reviews during the first year to ensure performance. They were clear that the first year was entirely probationary for this new, never before CEO, executive director.

Contracts

The executive director at this organization does not have a contract. When asked about job descriptions, they responded "I believe we have one. I have not seen it because I believe I am supposed to come up with one for me." Continuing, "It is just a practice that we are going through internally…[Bespoke] has never had contracts with their Eds."

By the time Board Member C was interviewed, the details of the contract had been determined and the contract signed. It appears that the contracting processes mentioned by Executive Director C was finished prior to the board member being interviewed. The board member continued:

> I was not part of the Board, you know, at that time. So, I am not familiar with exactly how she managed to come into her contract. I was only involved at the end, you know, as we were going through our succession plan of actually bringing in a new ED.
>
> (Executive Director C)

Because of the overlapping leadership in place at this organization, the outgoing executive director helped craft the new contract.

Monitoring

Executive Director C is directly monitored by the Executive Committee. The committee meets 10-times per year. Executive Director C, speaking to the work of the committee- "that's where they hear about the workings of the agency and what we are about. That group is actually the one who performs the CEO's performance evaluation on their anniversary."

Interestingly, The executive director is both President of the Board and CEO. When asked about activities at the executive committee they responded that the actual board is fairly small with a large board of trustees who serve primarily as advocates and financial supporters.

Performance Review

Regarding performance evaluation, the respondent reported that it was done annually. In fact, the annual review was approaching shortly after the time of the interview. The respondent reported that criteria for the review were not clear. Clarifying the criteria on which they expected to be reviewed, "No, I believe it is not clear."

There was no reported policy for how the reviews are to be conducted. Targets, while reportedly broad and non-specific, were also reported to be generally known to both the executive director and the board. As Executive Director C stated, "Yes. I would say that those are formulated throughout the year. You know as far as things to look out for."

Bonuses have been awarded in the past, but generally not in connection to the performance of any particular job responsibility. In fact, they reported "It is pretty much an end of the year Christmas-type bonus situation. That is how usually it has been in the past. We haven't seen bonuses in a while."

Regarding another organization, "I do sit on some board where we keep what we call scoresheets, so within that scoresheet…we look at your fundraising piece…how many meetings you missed, and you know, how many you attended, and how many committees you sat on, and the whole works." Exploring this further they related:

> I feel like in some organizations it is needed. Sometimes, some boards of directors need to be held accountable. Then there are some individuals that sat on boards, they are totally committed, and you do not have to hold them accountable and in other cases there are. Having a scoresheet that, where you can actually document the performance of a board member, works in many cases.

Summary

This is an interesting and large organization with a few noteworthy features. The board meets with the full management team monthly. The executive director is both the President of the Board and CEO. Despite being President, they are a non-voting member of the board. The organization's transition was done intentionally and with coordination between the outgoing executive director, the incoming executive director, and the board.

Case Study 4 "Strategic Focus" (FFI Score 13)

This organization, certainly in terms of footprint and reach, is the largest of those interviewed. Serving hundreds of thousands each year, this organization is well-known in its community and its field.

Contracts

Executive Director D, at this organization, is not under contract. Speaking to this they stated, "I do not have an employment contract with the board, and I never have where ever I have been, so it is an at-will sort of relationship. But, we do you know when someone leaves the organization sometimes there is a separation agreement contract." During board onboarding, conflict of interest statements are signed as well as a confidentiality agreement.

The executive director spoke about the positive influence of a larger national credentialing organization had in their operations. "We are separate 501c3, but we are affiliated with [redacted] because they have all the best practices and the contacts we need to access [redacted] manufacturers and leadership development.

Interestingly, Board Member D was quite clear that contracts were at play for all employees – including the executive director. This is a mismatch from the executive director's response. The board member unambiguously stated, "You know, and of course, some of the standard contracts like we talked about. There are contracts between the ED, and all of the employees in the organization, and there's board contracts for board members."

Monitoring

Monitoring at this organization occurs through the careful presentation of performance metrics, selected by Executive Director D, to the board.

> I have annual goals that I set that are approved by them. Then, I also have in that a couple of stretch goals that, if I meet those, then I would be eligible for a bonus at the pleasure of the board, that is not guaranteed. So those goals are tied to the strategic plan which we update every 3-4 years. We update it more often than that, but we completely create a new one every 3-4 years.
>
> (Executive Director D)

Executive Director D continued, "One of my goals this year is to make sure that Strategic Plan that we just adopted July 1 is alive and understood by all of the employees and that our partners and stakeholders in the community are on board with it." As far as alignment of goals throughout the organization, the goals of all C-suite employees are simultaneously aligned to the strategic plan as well.

When asked what the executive director holds themselves accountable to produce that no one checks on Executive Director D remarked:

> That's a great question - Self-care. I know that I have to be the best I can be in terms of mental, physical health, spiritual health. There's no one following me around with a magnifying glass examining any of that. I do know that my role. The philosophy I have of a healthy organization is that my involvement in the day to day is minimized. So, it's

> important to always develop the team around me and to be looking for the up and coming leaders in the organization and to figure out which of those folks I, or my executive team, can mentor, and coach, and groom to get them ready to step into a larger role. That's been a big emphasis of ours in the last couple of years. It's not really written down anywhere, but it's already paid off dividends.
>
> (Executive Director D)

Executive Director D stated that this particular board has really enabled him to focus on some of the highest levels of management and delivery:

> They really freed me up to spend 70-80% of my time outside these [walls]. That's again, when I'm outside the organization, I'm meeting with board members, donors, potential donors, partners. People that can do things for us- elected officials. I spent the day in Carson City last Thursday. That's the best use of my time because, whenever I do that, good things come back here.

With regards to accountability in leadership, a noteworthy quote was given, "I've found the staff will take as much of me as I allow them to have. So, I have found I have limited appropriate access to the team." Executive Director D was careful to note the importance of balancing higher-level executive functions with providing guidance and confidence to the team under them. Regarding monitoring the respondent stated:

> They check on most things up there to be honest. They make sure I am doing the work and they do monitor and follow me. You know once in a while if there is personnel things that I have to get involved in, which is very rare, because that is not a board member's role but sometimes I will get in those and I'm not really checked on those. But, that is pretty rare.
>
> (Executive Director D)

Performance Review

Performance review at this organization occurs in several formalized ways. There are several mechanisms of performance review at play in this organization:

> It is usually handled after the fiscal year is closed. It is the executive committee (the officers plus two-other board members). They do a self-evaluation and go over that with the board chair. Then the board chair gives me feedback and shares that with the executive committee. At the next board meeting in closed session, they discuss it and the board chair comes back to me with some sort of feedback or things that I can improve on or praise about what I'm doing well. Then, they sign off the compensation.

Interestingly, Executive Director D spoke to potential controversies with respect to salary and bonuses. They explained:

> Whenever I get a question about compensation, which in this town there's interest in that. I've never lived in a community where people cared. But I guess it's smaller. Whenever

I get a question about my salary, maybe a reporter every three years, I'll just say oh let me refer you to [Board Member D] because I don't have any say so in that. Because it's true. Obviously, it's not a number they just pull out of the air. They look at other comparable nonprofits in the region and they come up with a fair number."

(Executive Director D)

Regarding board and its own performance review Board Member D stated:

There is an attendance policy. It is a part of the contract you sign and we do enforce that. If you don't show up to at least 50% of the meetings, we will typically ask you to replace yourself with someone from your organization who can show up or we question whether or not the organization needs to be there."

Summary

This is an organization with both Agency Theory-like behaviors with regards to certain operational aspects and Stewardship Theory-like behaviors with other operational aspects. Executive Director D has neither a contract nor an exact idea of how much they will make year to year. Board Member D believed there was an enforceable contract in place between them. This board was careful to not only monitor the performance of the executive director regularly, but they also monitored their own carefully. This organization certainly offered much to the research.

Case Study 5 “Green Giant” (FFI Score 12)

This organization (second largest in terms of annual revenue) has been a long-standing fixture in the service-space in which it served. The responses from the Executive Director E and from Board Member E were interesting and insightful when placed into the larger context of the research matters at hand.

Contracts

There was divergence in the responses of the executive director and the board director with regards to the executive director’s contract. In this case, the divergence began from the very outset with the relaying of whether the executive director had a contract or not. According to Executive Director E, they did not have a contract per-se; rather, they had a job description which was incorporated as an offer letter and signed at the time of hiring. The executive director acknowledged that all other employees in the organization had an official contract, but that this was not the case for them. As they recounted, “I do not have an employment contract, but I am very familiar with employment contracts that have non-compete disclosures and things like that and I do not have an employment contract.” Interestingly, they recounted:

> I really want to be open and honest about this process. I don’t generally follow some of the same guidelines that I have imposed for the departments. If you can see, I am kind of reflecting back to “have I ever signed it? I would love to at this point.
>
> (Executive Director E)

One must immediately wonder how an Executive Director with an extensive background in Human Resource Management missed the fact they did not have a signed employment contract until they were asked by the interviewer. In fact, the executive director asked their administrative assistant to pull their file to check to see if there was a signed contract. There was not.

Executive Director E had been involved in the search committee and had helped to craft the very same document by which they were now operating. “I created it. This particular position is a little unique in that I was actually doing the recruitment for the ED. My background is in Human Resources.”

In this particular case, the employment offer letter was not viewed as a contract. It may seem like splitting hairs, but in the context of this study, the word contract seemed to mean what it means conventionally – an agreement which sets forth expectations, implies a promise, and provides recourse.

Monitoring

The Executive Director is reviewed at this organization primarily by the board chair who presides over governance. Additionally, there is a compensation committee which every board member sits upon. There is also a special conflict committee which handles disputes arising from shared space with another nonprofit organization. Interestingly, the executive director reported the name of this organization as the “Special Projects Committee”, while the board director reported it as the “Special Conflict Committee”. The Board reviews Executive Director E’s performance once-a-year in an annual evaluation.

When asked what they hold themselves accountable to produce that no one checks on, they responded, “I would say no one checks on me because we are always following up or having conversations. I mean, I am always looking for fundraising opportunities or opportunities to position the organization to receive additional support."

Performance Review

Speaking to the relatively infrequent evaluations:

> I personally don't agree with once a year reviews. I think that reviews, truly reviews if they are going to be effective, are more-or-less ongoing. I think that there is so much more work that individuals can do in terms of evaluations for executives…the truth of the matter is even when they say it happens, it does not really happen.
>
> (Executive Director E)

The board meets quarterly, but reports are generated by the executive director and submitted to the board monthly. Subcommittees meet quarterly as well unless there is a pressing issue. Interestingly, the 360 evaluations are done at Executive Director E's direction and include immediate staff, line-level staff, and community partners. They stated, "I mean, you think you're doing a phenomenal job but how do others perceive you out in the community? So, I go out in the community because that is what is most important and provide that information back to them."

Being a seasoned executive director, regarding bonuses, they reported:

> In different circumstances, I have been offered bonuses or things just based off meeting contractual obligations. I normally decline bonuses just because of the nature or the

> nonprofit and what we do here we can better use it in different ways. But, I have been offered bonuses as a result of new initiatives and different performance matrices.
>
> (Executive Director E)

Humorously, regarding the clarity of criteria for triggering bonuses, Executive Director E stated that they were, "Clear as mud, absolutely." Additionally, they stated that they are reviewed at least annually "initially by the compensation committee and then the compensation committee provides a recommendation, well, provides a report of the performance review and any recommendations to the full board."

Stylistically, the board performance review was described by Board Member E as "peer-to-peer." Whereas, the executive director "is asked to provide kind of a self-assessment. Their accomplishments based on the budget, fundraising goals, programmatic oversight, you know, anything we have asked them to focus on as a priority, they provide a self-assessment". Elaborating on the process:

> The Compensation Committee of the Board reviews that self-assessment. We then deliberate among ourselves in closed session and then provide whatever feedback to the executive director and then, if there is a recommendation for salary adjustment or any other personnel or performance related kind of recommendation, then again that gets reported back to the full board that ratifies the subcommittee's decision or recommendation.
>
> (Board Member E)

With regards to bonuses, Executive Director E elaborated that there were bonus structures within the organization. However, there was no expectation that bonuses would be paid. They stated:

> The amount may depend on what is available in discretionary dollars at the time…it is not like, "If you do this thing you will automatically get this." It is, "these are our expectations of you and then at the end of the year, when we are reviewing you, we will either adjust your salary or adjust your salary and provide you with a onetime bonus for performance."
>
> (Executive Director E)

Summary

There is an old English phrase, "the cobbler's children often go unshod." In this case, a human resources professional failed to notice they weren't contracted until asked by the researcher. Moreover, they openly acknowledged that the executive director position was treated differently than all other positions in the organization.

Despite that lack of clarity regarding a contract, the board did provide regular and careful oversight of the executive director's performance. There are hallmarks of formalization and this organization was a hodge-podge of them. Some were in place, others were not. Both Agency Theory-like policies and perspectives reigned, as did Stewardship-like ones.

Case Study 6 "The Founder's Garden" (FFI Score 8)

This organization proved to be one of the most responsive and was among the first interviewed. The founder was/is still the executive director. The board of directors had cycled through replacement members many times since. From the outset and by design, all board members were term-limited. This churn, according to Executive Director F brought "fresh blood and new ideas." Perhaps so, this also creates only one fixed star in the sky of the organization, the founder- Executive Director F.

Contracts

The executive director of this organization does not have a contract. As they recounted, "My other CEO friends, that have nonprofits – they have contracts or agreements. Where I didn't, I wrote everything the way it should be. I picked the board members."

Elaborating on the cycling and turnover of board members, they recounted "Some keep board members forever. Maybe that's good. I don't know. I don't think it is." Term limits had been built into the organization since its founding.

While there were no contracts, there are acknowledged responsibilities for both board members and for executive directors. Nevertheless, the stated reasoning for the boards is interesting. "As far as what I do as the CEO and what the board's responsible for, because there is always that fine line…does the board come in and start dictating what goes on during the day or are they just an advisory board?" The stated reason for the written responsibilities of both is to prevent micromanagement of the day-to-day operations of the organization, as defined by the CEO. When asked who wrote the responsibilities, the founder stated, "I wrote them both and they were voted on and ratified by the board."

Whereas the founder and executive director stated that they did not have a contract, Board Member F responded that they did. When asked about how it was created they responded, "I don't know if I know that answer to that question. I think it was definitely something that the board put together as far as job duties. I would imagine that was before my time on the board."

Compiling the responses from the executive director along with the board, it is possible that the job description that the executive director reported was viewed as a contract to the board member. The chair was said to oversee reviewing the contract and mentioned that there were annual performance reviews. Specifically, there was a great deal of attention given to his financial component of his annual review.

Board members were believed to have job descriptions in their board handbook, but the respondent was unable to recall if it was signed or not. In fact, when asked whether it was a signed document, Board Member F stated, "Man, I should know…I want to say yes but I don't know for sure. I sign a lot of stuff." When subsequently asked what it detailed, he stated, "I would imagine it details term length, the responsibilities I am doing on the board, as well if I am the Treasurer or Chairman."

Monitoring

The performance of the executive director is monitored through monthly meetings with the entire board. The organization's "Think Tank" is comprised of 6 Vice-Presidents from each division who meet and compile a monthly report regarding their respective accomplishments relating the overall strategic plan. These contributions are later assembled into a report which gets delivered monthly to the board. New ideas are also presented to the board in this way:

> The Think Tank is part of our strategic plan that goes into our final document that is then presented to the board. Our board then looks at our strategic plan and then says- “do that.” They never say, “that’s stupid we’re never going to do that.” As long there isn’t mission creep, which is always a challenge internally for us, then we’re okay.
>
> (Executive Director F)

Building on the central nature of the strategic plan, “our strategic plan is a condensed version of what went to the board. Our strategic plan is one with a bunch of listings, how to get where we need to be for each of the objectives.” The executive director was said to be monitored most prominently in his annual review. When Board Member F was asked what they hold themselves accountable for that no one checks on, the respondent stated “I mean, I just try to add value where I can. So, if there’s something in my wheelhouse, I am going to try and take control of it.” When asked what the board holds individual members accountable for producing, they said, “well, just making sure you show up to meetings. I think that is probably one of the more important things to being on the board is actually being present.”

Performance Review

The performance of the executive director is reviewed annually. The respondent stated, “I put together the initial form for the annual evaluation for the CEO. There was not evaluation for many years when I started it.” He continued, “I went to the board and said, “we need to develop a true evaluation form for me, I mean, I think I’m doing fine. I’m doing okay, but we need to develop a real evaluation.”’

The respondent borrowed from an industry professionalization organization that ended up being too lengthy and complicated for both the board and the executive director. Eventually, it was reviewed by the board and shorted into the annual evaluation that exists today.

Performance targets contained in the annual review are known both to the board and to the executive director. When questioned about whether the goals in the executive director performance review are made to align with the goals of the VPs in their reviews, the respondent stated "No. I don't because their program goals are very specific to the particular area."

Regarding performance review, Board Member F related that it was borrowed from best practices. 'I would imagine that [Executive Director F] is bringing to us…what the best practices are. And then, we develop our own form or we say, "Yes, that's a good one. Let's use that!"'

Summary

This organization served as an interesting comparison point. Several mismatches were present in the responses. While there was no contract in place, yet there is regular, self-directed, and self-selecting reporting structures.

Perhaps the greatest point of interest in this organization was the apparent un-fire-ability of the executive director. When asked "what are the consequences if you don't meet your described obligations? They responded:

> What does the board do to me? I'll tell you what they can't do! Because I'm the founder, they can't get rid of the founder. Isn't that an interesting thought? Through the law, you can't get rid of the founder.
>
> (Executive Director F)

Investigating this further, the only literature discovered related to a nonprofit board's inability to fire a founder was relatively obscure single member membership organizations or single-member bylaws being incorporated into the organization at the time of founding. Given the role of the researcher in this space, and lacking the legal expertise to speak to it more authoritatively, the interesting assertion was left to rest.

Case study 7 "Little Giant" (FFI Score 8)

Occasionally, older organizations languish in a stage of perpetual startup-hood. This organization, although in existence for more than 20-years, only recently secured funding for a full-time Executive Director. The organization served as a macro-level organization, bringing other nonprofits and community members together, to achieve positive change in their area of focus.

Contracts

The Executive Director of this organization is not on contract. In fact, there are no developed policies or procedures around contracts at all in this organization. There are however, job responsibilities. For the Executive Director, they cover:

> Oversight of the organization's financial security, our programming, supervision of staff, initiation of any contract, budget compliance, grant writing, grant management, establishing collaborative partnerships, maintaining partnerships, and then there are some specificities from some of our specific programing.
>
> (Executive Director G)

The document, which contained such clear description of the responsibilities, was made fast when it became memorialized as an offer letter to the executive director. From the board's perspective, Board Member G stated, "We don't have contracts we have agreements. But she's what our expectation is…neither…have never let us down since I've been on the board."

Board Member G was quick to highlight that they had "agreements, not contracts." When pressed for differentiation between a contract and an agreement they stated, "A contract to me is legally binding. An agreement is a gentleman's agreement if you would use an old fashion term." When asked about whether this implied legal recourse, they said, "right!"

Monitoring

The executive director is monitored monthly at the general board meetings, but also specifically quarterly when quarterly financials are reviewed. Furthermore, because the ED's position is funded via different billable grants, a timesheet is maintained.

When asked what they hold themselves accountable to produce that no one checks on, they replied:

> Each hour of my day, each meeting we have with partners in the community, you're already familiar with how we leverage partnerships because [redacted] was involved in that research anyway. So anything that [Little Giant] does is in collaboration with other organizations.

> There really isn't any activity that we carry out programming wise in the community that is not in collaboration with another agency. I spend a significant amount of my time in

> meetings with partners and providing resources to agencies and agencies also providing resources to me. And so, I guess beyond my timesheet and then eventual large outcomes, I mean my Board doesn't know every single meeting I have with every single partner and what the specific objectives of those meetings are.
>
> (Executive Director G)

Performance Review

Given the general informality of the organization, an interesting situation arose in which the executive director wished to discuss a pay increase with the board. Executive Director G elaborated:

> So, I felt at one year that it was a good time to discuss my performance with the board. So, I created the agenda for our board meetings and I put it on the agenda and I had highlights of my performance that I shared and there was some brief, you know discussion, like affirmation.
>
> All of people were like, "Yes! You've been outstanding." It was affirming. Then they said, "well, we would like to" ...I made a specific ask for the pay increase that I wanted to have. Then they said, " Well we'll have a discussion outside of this board meeting and we'll get back to you.
>
> (Executive Director G)

The executive director felt confident that a performance review and raise discussion would have been raised by the board, but perhaps not within the 12-month timeframe the ED preferred. In subsequent discussion, Executive Director G related that they found the slowness of the decision on the raise to be unexpected. This highlights that many different factors are in play when looking at an organization and whether it approaches situations from an Agency Theory or Stewardship Theory perspective.

Summary

Many ideas, related to this research, were brought into contrast and relief at this organization. When asked very specifically by the interviewer, "I am curious. I am going to explore an idea here. Your background is in HR and your ED isn't under contract, how do you make sense of that?" Board Member G replied, "That is a good question. Now you're making me think." Continuing, they related:

> You know we have been together for so long and it just works and there is trust there. I would think, I really think that is the foundation of our group, our organization. I have been with them 6 years…I have never felt the need for a contract…and [Executive Director G] is so open. She always checks in with the entire board saying, "these are my thoughts, what do you think" and we trust her. She is an intelligent woman and is passionate about what she does."

\ (Board Member G)

Case study 8 "Remote Control" (FFI Score 4)

Not all organizations were centralized geographically. Some organizations served areas spanning several hundred miles. With board members in different cities, board meetings were often made via teleconference. Interestingly, this organization was in the process of hiring a new executive director at the time of the interview. Responses were timely, topical, and reflective given the nature of the upcoming hire.

Contracts

The Executive Director at this organization does not have a contract. There are, however, written job responsibilities. As Executive Director H stated regarding the written responsibilities, “They are pretty standard in relation to nonprofits. They are well researched.” When asked to elaborate, they continued, “there’s an oversight of operations, company operations, there is assistance with…the board with their governance” (Board Member H).

There was a mismatch in responses regarding the contractual obligations between the executive director’s and the board. When asked about contracts, Board Member H stated, “I actually don’t know what those look like… we’re really kind of a hands-off board. That’s why we hire an ED. That’s her job, his or her job.” She elaborated:

> Right now currently it’s a her job. So I don’t...personally I don’t think I have even read through them. I think I have read a couple...I have read the employee ones but that was it. Her contract, you know, it is mostly just employee stuff. What her job position is going to be and telling work performance…correction procedures, that kind of stuff in it. So, all that stuff is just employee law kind of stuff.
>
> (Board Member H)

Monitoring

Curiously, when Executive Director H was asked to speak to how performance monitoring occurs within the agency, they stated, “Unfortunately, it’s not really. It’s not really monitored.” While this response may indicate frustration with a lack of performance review (highlighted later), when asked to elaborate, they responded:

> I guess what is monitored is the activities that I report to the board. So, I give a very in-depth ED’s Report that I present to the Board during the monthly Board meetings. From that they can see the activities of the organization. You know the number of clients we are serving, the number of events that we participate in. They are provided with our evaluation reports.

Board Member H’s response hints at the importance of selective transfer within an organization. More specifically, since information must be selectively transferred, principle/agent potential conflicts ought to be kept in mind when selecting the topics and items for regular exchange. The executive director continued:

> I include, you know, anything from social media, new projects, personnel updates, collaborations, community partnerships, trainings, and events- not just ones that we are participating in, but that we host. It’s a very in depth ED’s report so from there they can see the activities that I am overseeing and that I am involved in.
>
> (Executive Director H)

Clearly, this represents a very thorough presentation system. When explored further it became apparent that the lack of monitoring was stated to occur not in a lack of information presented, but in a lack of discerning attention placed upon it by a busy board afterwards. When asked what they hold themselves accountable to produce that no one checks on, they responded:

> Compliance – grant compliance, accounting, and financial standards. I work closely not just with my bookkeeper but with our auditor to ensure that we are meeting all of our fiscal and accounting standards and our audits have been very clean, no findings over the last few years. So, my accountabilities is based on my own standards of meeting regulation and contract requirement.
>
> (Executive Director H)

For board members, monitoring was stated to occur as follows:

> I don't know if there actually a specific monitoring system that we use. You are basically monitored if you come to the meeting, if you show up… But I don't think there is any formal process that we do to monitor each other. I think it is pretty informal…most organizations are just happy to have board members.
>
> (Board Member H)

Performance Review

On the subject of performance review, the executive director shared the following:

> I am just going to touch on this because we have a little bit of time. I have been working for nonprofits for 20 years. I have been Program Director, Interim ED, the first ED for a start-up nonprofit, and I have been with [redacted] for going on 7 years. [redacted] is the only nonprofit that has not reviewed me. It has not provided me with a performance review…I've done what I can do to encourage it and provide the information, but it just hasn't happened.
>
> (Executive Director H)

In a similar vein, the Executive Director H responded that there was no policy for conducting a review and that performance targets "are known to me. I am not sure if they are known to the board." When asked what happens when goals are met, they responded. "Personal fulfillment and the satisfaction and benefits come from knowing that the community has been served and people who have the needs we serve, you know, needs are being met."

Speaking first to the composition of the board, it was noted that more that 50% of the board members were parents of those in their target service population. Accordingly, many board members were very occupied in the caretaking of their ill children. Executive Director H believed that this had a significant impact on the amount of oversight the board was capable of creating.

> They are clear to me. I am not quite sure if they are clear to them…. Oftentimes the individuals who serve on the Board [redacted] who have the greatest passion for the work that we do and interest in leadership at this level have very little time because they are

busy working and supporting their family. So, the amount of time they provide is very limited.

So, I think that one of the reasons why there has been limited effort to, you know evaluation, performance review, ED and all that. I think it has much to do with capacity of the individuals that are serving on the Board.

(Executive Director H)

Executive Director H did state that monitoring was done once a year at their annual retreat. "Last year it was two nights that we did it-so a total of 6-10 hours where we actually sit down and go through everything. So that is the biggest time where we actually evaluate.

(Board Member H)

Summary

This organization was interesting because there were indications that the executive director felt there was very little actual oversight, very little actual performance evaluation, and very little monitoring and yet the structures for these activities were discussed at length. It highlights the idea of administrative attention being a critical ingredient in the successful implementation of checks and safeguards.

It appears that the board had difficulty maintaining administrative focus as the composition was made of up very busy individuals. There appeared to be ample attention paid to the organization during the board retreat. There was heavy focus on the board retreat serving as a touch stone for board self-evaluation. This organization certainly related that the executive director assumed the lead role for nearly all responsibilities.

CHAPTER 5

DISCUSSION

Three findings emerged from this research. The primary finding is that MSA, rather than Agency Theory or Stewardship Theory, robustly accounts for qualitative data obtained and evaluated in this study. Two secondary findings identified include: 1. A novel application of Kingdon's Multiple Streams framework to explain the emergence of formalized features such as: contracts, written performance evaluations, and bonuses) in nonprofit organizations. 2.) The identification of core thematic elements underlying principal/agent dynamics in nonprofit board governance. All findings present the opportunity for additional research, growth, and development for board governance in the future.

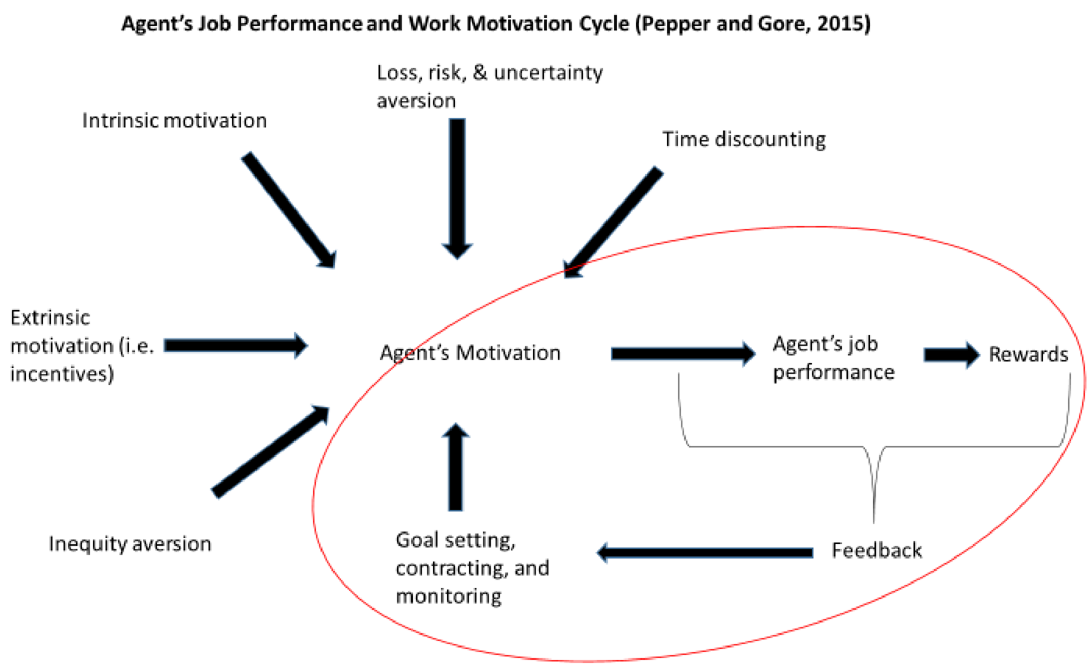
Primary Finding

This research began looking at Agency Theory, in its most traditional sense. Unsurprisingly in retrospect, the goodness-of-fit of the data aligned with newer iterations of Agency Theory especially BAM. In fact, when not forced to make a dichotomous selection between Agency Theory and Stewardship Theory, BAM best fits the responses received in the course of the research.

As applied to nonprofit board governance, BAM includes many of the externalized variables often associated with family-owned firms and benefit corporations. It includes non-rational influences such as inequity aversion, extrinsic motivations, intrinsic motivations, and time discounting (Pepper & Gore, 2015, p. 1057).

As seen in the following table, the data obtained in this research interacts with the Pepper Model in the lower right quadrant of their described job performance and work cycle.

Figure 1 Agent's job performance and work cycle (Pepper and Gore, 2015)



While goal setting wasn't explored deeply in the interviews, contracting and monitoring were discussed in detail. Each of the respondents spoke to the importance of contracting, monitoring, feedback, and rewards. The inclusion of other factors, including intrinsic motivations, captured in the research by asking respondents what they make sure they do that no one checks on, is critical to account for the observed responses. Responses given clearly include known and included factors in BAM but otherwise discounted or ignored in classical Agency Theory with its rational man focus.

Pepper and Gore discuss assumptions about the nature of actors in both theories. In their 2015 work, they highlight that agent's motivations in classical Economic Man assume "no nonpecuniary agent motivation." Additionally, within BAM, this assumption is rejected and replaced with an assumption that presumes motivations are "both intrinsic and extrinsic; intrinsic and extrinsic motivation are neither independent nor additive" (Pepper & Gore, 2015, p. 1050).

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As summarized by Pepper and Gore (2015), Eisenhardt was quite explicit when putting forward two propositions related to traditional positive Agency Theory. In the first, "when the contract between principal and agent is outcome based, the agent is more likely to behave in the interests of the principle" (Eisenhardt, 1989, p. 60). In the second, "when the principle has information to verify agent behavior, the agent is more likely to behave in the interests of the principles" (Eisenhardt, 1989, p. 60).

With BAM, the model rejects several Agency Theory tenets. Most notably, it does not assume rationality. Similarly, we will see that Kindgon's Multiple Streams Approach also does not begin with an assumption of rationale behavior making. What follows in BAM is the incorporation of other considerations agents take into account when making decisions regarding risk. Whereas Agency Theory "places less emphasis on the objective of the motivating agents to perform to the best of their ability than it does on aligning the interests of agents and principals" (Pepper & Gore, 2015, p. 1048), BAM includes considerations of "human capital, motivation (in particular, intrinsic motivation) (Pepper & Gore, 2015, p. 1048).

There are several aspects of BAM particularly relevant in this context. Intrinsic motivations manifesting in the agent but being directed toward the good of the agency-specifically in the nonprofit and public sectors (Besley & Ghatak, 2005). While the work of Besley and Ghatak clearly highlights the importance of mission as a factor at play, particularly in compensation considerations for agents, their work extends beyond the focus of this paper.

Work by Lin, Lubatkim, and Wiseman (2010) extended BAM to include several variations of family firm structure addressing ownership dispersion. While BAM fits well into family-firm relationships, given the pecuniary considerations brought into question with regards principal/agent conflict, clearly BAM fits better than either Agency Theory or Stewardship

Theory alone when studying contacts, monitoring, and performance review within select nonprofit corporations.

Secondary Findings

The findings break down into two tracks organized as seen in the table below. The first is formalization. This is the formalization of behaviors associated with aligning interests in both Agency Theory and Behavioral Agency Modeling Theory. In Behavioral Agency Modeling Theory, these results fit into the following table:

Table 6 Formalization and Agency Theory analysis

FINDINGS	Formalization ≠ Addressing Principal/Agent Conflict	
	Formalization	Principal/Agent Conflict
Explained by:	Kingdon's MSA	Thematic Elements
Revealing	Formal feature adoption	Communication
	Culture shifting	Concern
		Safety
Call to action	Formal feature inventory	Accessible
	Formal feature Optimizing	Responsive
		Engaged

Aligning interests between principals and agents is complicated even in the best of circumstances. This is even more so when a firm cannot issue shares or stock to address potential issues of principal/agent conflict.

Which theory, Agency or Stewardship, best accounts for what was observed? In light of the data gathered, this question was naïve. Neither perfectly fit the data nor does one rise above another to explain the observations. In some ways, both theories explain the data. In other ways, neither do. In all cases, it depends on the agency and the governance function being examined. The more important finding was that formalized features, such as contracts, performance review, and monitoring did not correlate with actual checking and safeguarding at the organizations. Thematic comparison and Kingdon's Multiple Streams Approach (MSA) better account for all observations.

Formalization ≠ Addressing Principal/Agent Conflict

After transcribing and beginning the thematic analysis of the interviews, several points began to emerge. First noticed was that there was a spectrum of formality across all organizations. After consultation with several committee members, a framework was developed

In many cases, Never Again and Bespoke for example, there were reports of check and safeguard failures with previous executive directors, who operated under comparably equally formal structures. This stood in contrast to other organizations, like Little Giant and Remote Control, which scored very low on their FFI scores, but simultaneously reported high levels of confidence in the checking and safeguarding of their principal/agent relationship. After consultation with peers, Dr. Robert Randolph in particular, it became apparent detecting formal features within an agency was not the same saying the agency was effectively addressing principal/agent conflict. This became an overarching finding related to all others as viewed in the table below.

1. Formalization ≠ Addressing Principal/Agent Conflict

The first portion of the findings relates to formalized structures detected within each agency. The interviews revealed a spectrum of formality, with Casino Royale on one end (most formal) and Remote Control (least formal). While this may have been interesting in itself, it was during the process to ensure rigor that the greater insights were revealed. Whereas it may have appeared that Remote Control or Little Giant would be relatively unchecked and unsafeguarded, given the lack of formalized structures, what was found was that it did not matter.

Specifically, when doing member checking with the Executive Director of Little Giant, the Executive Director reported that if the researcher had the idea that they were not being checked and safeguarded, they were 100% wrong. They reported that they were closely and deeply engaged with the board, it just wasn't formalized. They highlighted, as they did in the initial interview, the importance of communication, availability, and trust.

Formalized features threatened to mask the relational nature of the executive director/board dynamic. In cases where there was not much formality, the emotional/relational aspect was more easily discerned. Where high levels of formality were encountered, the emotional aspect were not entirely muted, only less obvious. In the responses from the interviews, this emotional underpinning was present in all relationships described as healthy, and not at all in relationships described as dysfunctional.

In the cases where boards were recovering from previously dysfunctional relationships, formal structures were being developed as a possible solution. It is as though the board noted that the executive director broke their promise and so they were going to make sure it didn't happen again by instituting formalized structures.

Of course, had these members been privy to the experiences of other agencies where executive directors failed to perform in the context of a formalized environment, they would likely realize the contract and regular review would not be the silver bullet they seemed to hope it would be.

If the organizations could speak one-with-another, they might realize that the formalized structures really aren't the solution. Restoring the emotional connection is. This connection emerged as the themes captured in the research and discussed in the thematic comparison. First though, to account for the presence or absence of formalized structures, a MSA analysis follows.

Multiple Streams Approach accounts for formalization

Breaking down the findings, we will first take note of the Formalization column of the Findings section as seen in the table below. In this table, Formalization is explained best by Kingdon's Multiple Streams Approach (MSA).

The five components of MSA are The Problem Stream, The Policy Stream, The Politics Stream, Policy Windows, and Policy Entrepreneurs. What follows is an exploration of these concepts as applied to the data gathered.

The problem stream.

In the case of nonprofit boards and their executive directors, numerous problems can be said to exist. At the largest organizational level, there may be concerns with regards to fundraising, program performance, grant compliance, human resource issues, and public perception. More specifically, there is the possibility that the board can turn its problem identifying capabilities upon itself and recognize that misalignment between the board's interests and the executive director's interests This potential misalignment (principal/agent conflict) and the risk of miscommunication of expectations arise as problems within the problem stream.

The policy stream.

The Policy stream may be better stated as the governance stream when applied in this way. There are numerous governance options to address the host of problems circulating within the problems stream. In this case, formalization emerges as a potential governance solution to address the potential for miscommunication of expectation or misalignment of goals with nonprofit boards.

The politics stream.

In MSA, the Politics Stream is vulnerable to certain shifts such as turnover. In the case of nonprofit boards, this is certainly at play. Moreover, the politics stream is said to be sensitive to public opinion and pressure groups. It is quite likely that internal lobbying efforts by several board members could constitute this sort of pressure.

Policy windows and policy entrepreneurs.

Policy Windows and Policy Entrepreneurs are the last of the 5 components of MSA. "Policy windows sometimes open in the problem stream, when a focusing event rapidly attracts attention to a problem creating an urgency to act" (Henstra, 2010, p. 245). This was certainly the case in Never Again where the organization's crisis led to a desire to apply a solution from the policy stream. Sometimes, windows open initially in the politics stream when turnover creates new feasibilities and alliances.

Finally, the Policy Entrepreneur is seen in motivated board chairs or particularly engaged/concerned board members. Sometimes, as was seen in Remote Control, the executive director themselves works to be a policy entrepreneur and apply formalization on their own. In this case, it was not successful without board support. The entrepreneur was unable to couple the streams.

Table 7 Modified Interpretation (Jones et al.,2015)

MSA hallmark	**Standard Policy Formation MSA (Jones et al., 2015)**	**Board Governance examples**
	Problem Stream	
Indicators	How actors identify and monitor potential problems, including metrics measuring the relative severity of a given problem (such as unemployment rates, and increasing costs), and a virtually endless array of rates, ratios, and anecdotes.	Annual revenue, number of new donors, number of HR incidents, program recidivism rates, changes in insurance rates, etc
Focusing Events	Are attached to particular problems, providing powerful impetus for action or change. A few notable focusing events that increased attention and recognizably preceded policy change include the 9/11 terrorist attacks, 3-Mile Island nuclear accident, and the Columbine shootings.	Media reports of failure, anecdotes of program success/failure, losing a major grant, failing to meet grant reporting and tax filing deadlines
Feedback	Information provided by analogous programs related to the problem of interest. For example, one might reasonably use the success of policies designed to mitigate the pollutants that cause acid rain to later provide a structure for regulating carbon to mitigate climate change.	Comparisons with other nonprofit organizations for overhead targets, grant/program ratio targets, etc

Load	The capacity of institutions to deal with problems. If policymakers are dealing with all-consuming or numerous problems, then a new problem's ability to nudge its way into the purview of policymakers is negligible.	Managing HR, fundraising, donor relations, program activities, media relations, board recruitment, succession planning, etc.
Politics Stream		
Ideology	Refers to the aggregate orientation of the political parties within relevant institutions.	Various idea and perspectives with respect to what a nonprofit board should do.
Mood	Refers to the general orientation of the public toward issues, values, or solutions relevant to the policy problem.	Most comparable as morale and perceptions of trust with fellow board members and the executive director
Interests	Refers to the aggregate position of relevant interests, including arrayed advocacy groups and other actors interested in a particular problem.	Operating at the individual level, these would include areas of particular focus in the governance space (ie. Pet projects, areas of expertise or previous failure).
Policy Stream		
Value Acceptability	Likelihood for a proposal to conform to existing value constraints.	Questions mission drift, appropriate use of donor constrained funding, acceptability of grant dependency
Technical Feasibility	Possessing the technical ability to create and/or implement the proposal.	Questions regarding the ability of the nonprofit to execute board directives. Capacity related questions
Resource Adequacy	The obtainability of resources to enact the proposal.	Can board directives be executed with available funds, board or staff manpower, and executive director bandwidth
Network Integration	The way in which policy communities are interrelated.	This manifests itself as board members and various constellations of alliances interact to achieve change
Policy Community	The actors which disseminate ideas and cause their proliferation or extinction.	This is the entire board, including individuals and aligned groupings of board members in the process of governance
Policy Window		
Coupling logic	The logic or arguments used to couple streams	Reasoning for combining solutions with problems within the organization at the level of board governance and oversight.

Decision style	The amount of information needed before a decision can be made	Waiting to act on hiring a grant writer until additional budget information and grant success rates can be gathered.
Policy Entrepreneur		
Resources	Time and money	An influential board member may bankroll several prominent programs
Access	Access to decision makers	Does the chair have access to prominent funders and with staff surrounding the executive director.
Strategies	Includes efforts to manipulate and couple the streams ranging from bargaining to communication framing.	This would include agenda setting, persuasion, assigned tasks, budget evaluation, and discussion.

2. Low-level, Mid-level, and High-level Themes

24 distinct themes emerged during the research. These themes, coded after deep immersion and consideration of the data, were then meta-compared one with another in various constellations to derive overarching mid-level and high-level themes. These overarching themes lend themselves toward additional discussion follows along with an exploration of implications with regards to the literature and to pedagogical methodologies to improve board performance in the field.

Once identified, these themes were internally cross-checked for common emerging meta-thematic elements. Concerning the checks and safeguards at play in the relationship between the executive directors and their boards the meta-thematic elements were communication, concern, and trust.

Emergent Themes

Trust was identified early on as both a spoken and apparent theme in the relationship between executive directors and their boards. It appeared as a certainty that a person would do what they would said they would do. When it was said to be misplaced, it was in reference to failures of judgement and character, not performance.

Selective *transfer of information* emerged as a repeated theme. The volume of information handled by the directors of the agencies was so massive that selection had to occur before being passed to the board. In certain cases, during the considerations of salary, boards also selectively transferred information with their respective executive directors.

Formalization was seen throughout the interviews. Formalization appeared generally as supposed solutions to challenges in managing principal/agent conflict. It was not thought to be a solution in itself, but was assumed by most parties to serve as an effective safeguard against principal/agent conflict.

Several agencies spoke of contracts as *tools for clarity.* In the cases where trust was said to have existed between executive directors and their boards and where organizations possessed high FFI scores, contracts were mentioned as being utilized to enhance clarity and understanding between parties.

Compliance emerged as a measure of performance among all agencies. Compliance was mentioned in reference to tax status, grant compliance, and state regulation. From a fiduciary perspective, compliance is a key component of both the duty of care and the duty of obedience.

It was not lost on most parties that the relationship entered into by executive directors and their boards placed them in a position of *Vulnerability.* Specifically, the ability to lose one's standing in the community as well as one's ability to serve other was noted as a theme among all agencies. In certain cases, agencies spoke of sore wounds with previous malfeasance or misfeasance by prior leaders.

Among several agencies, the ability to safely *request help* when needed was discussed as an important component of the relationship between the executive directors and their boards. *Oversight* without formalization was also acknowledged as a recurrent theme in the literature. In some cases, particularly with organizations with reported high levels of trust, oversight was said to exist though without high levels of formalization.

Board composition and the how preoccupied board members were with other responsibilities was reported as a concern speaking to *bandwidth.* Concerns over bandwidth were universal by both the executive directors and their boards.

Some agencies spoke to *board attention.* Board attention was even mentioned as sometimes needing to precede executive director attention to promote executive scrutiny on certain issues. Another them was that nearly all *responsibilities* were viewed as belonging to the executive director. All agencies interviewed had paid executive directors with unpaid board members.

At the end of the day, *what works is king.* Most agencies focused on reflections of agency performance as measured by public or client perception. Getting things done with limited resources was stated as an ultimate and overriding goal.

In cases where there had been issues with the relationship between executive directors and their boards, *Mismatched perceptions* were sometimes said to be a cause. In some cases, the board interpreted information differently than the executive director intended it. Clarification and restatement would likely address this particular concern well.

Another theme emerged which was reliance upon formalization to *guarantee oversight.* In some agencies, formalization had been put in place due to bad experiences or was being put in place at the time of the interview. In other agencies, there was an inability to sustain high levels of oversight. This may be one of the most dangerous assumptions that emerged from the responses. When viewed across agencies, formalization does not guarantee oversight.

Origination of new governance structures emerged as a thematic feature. Some organizations had access to sufficient institutional memory to recall and report the way in which governance structures emerged. Others openly admitted where there were gaps in the administrative record.

In cases where there had been recent ruptures in trust, *lessons learned* the hard way emerged as a repeated theme and caution. Both executive directors and their board members repeatedly cautioned against making the same mistakes again. This was a primary concern among agencies with new directors at the helms.

Organizations sometimes recognized and reported that formalization needed to be demonstrated *both in name and practice.* In certain cases, it emerged as a theme in the negative where formalization existed in name but not practice. In either case, the theme was present even if not so literally stated.

In most cases, formalization, in the absence of attention leads, to *variable results*. This was clear with several agencies where formalized features were present, but unaccounted for by the boards or were ignored/unknown to the executive directors.

Deliberate formalization to was sometimes instituted to *ensure performance.* Rather than being put into place to stop a misdeed, they were put into place to maintain positive performance in their sectors.

Engagement was viewed by some agencies as a suitable surrogate of performance. This was especially true of the board members who highlighted the first responsibility on most boards is just to show up.

When viewed from a distance, it became clear that *every board is different.* Respondents themselves recognized that there existed distinct cultures within their agency and under different leadership regimes.

It was not always clear that agencies had a mutual understanding of what the *responsibilities* of the executive director are and what they aren't. Several agencies gave incompatible answers when asked about responsibilities of the certain organization tasks and metrics.

Depending upon the service area of the participating organizations, the roles of *credentialing agencies* to disseminate and mandate application of best practices of board management was mentioned. This is an interesting trait to recognize, especially in the agencies with larger budgets that can afford to maintain credentialing.

Transparency, when held against an objective standard, was recognized by some as how one best measures progress towards the realization of the strategic plan. Nearly all agencies spoke about transparency as a key indicator and requirement for positive outcomes in their administrative spaces.

These 24 themes, when analyzed and compared one-with-another, yielded the following 9-common areas. Clarity/Mismatch, Information Selection, Safe Requests for help, Formalization, Concern, Oversight, Trust, Vulnerability, and Forgiveness. These mid-level themes represent the common denominator themes of the 24 listed above as identified from each of the eight case studies generated during this study.

In cases where formalized features were already at play, adapting approaches were either said to be difficult or not generally attempted (Green Giant and Little Giant). It may be said that the organizational culture possessed inertia which proved to be a hindrance to make proposed changes. In many cases, procedures and perspectives had been set by previous boards and previous EDs and seldom reexamined.

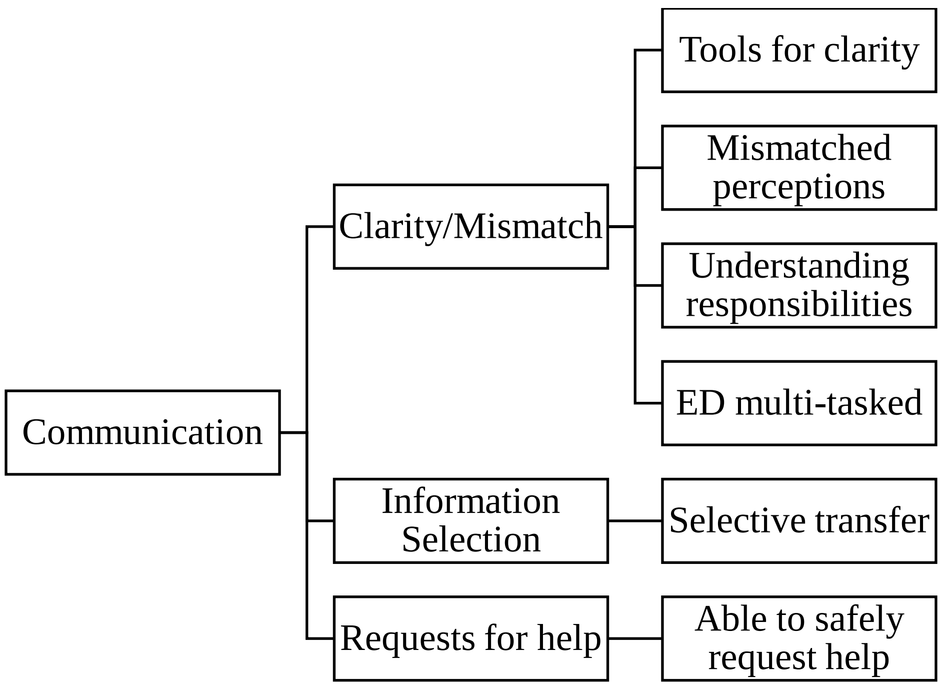
Finally, the 9-common areas were again analyzed and compared one-with-another to identify 3-high level themes present in the responses of those interviewed with regards to checks and safeguards addressing the relationship between the executive director and the board of directors.

High-level Thematic elements

- *Communication*- Communication arose as a meta-thematic element when aggregating emergent subthemes. These themes expressed congruency around communication and informed respondent's feelings of being checked and safeguarded.
    - Clarity/Mismatch- When compared one against the other, there was a clear emergent theme of clarity and mismatch. The reality was that in many cases executive directors and boards were not on the same page. Even worse, they often didn't know it. It was only through interviews across roles that the mismatches became apparent.
    - Information Selection- In all cases, executive directors expressed that they could not relate all business details through to the board. In most cases, it was the executive director that decided what would be reported and what would not be.

- Safe requests for help- Interestingly, as a theme, the ability to reach out either direction emerged. Executive directors would reach out to their boards when necessary and boards could reach out to the executive directors when they lacked critical information.

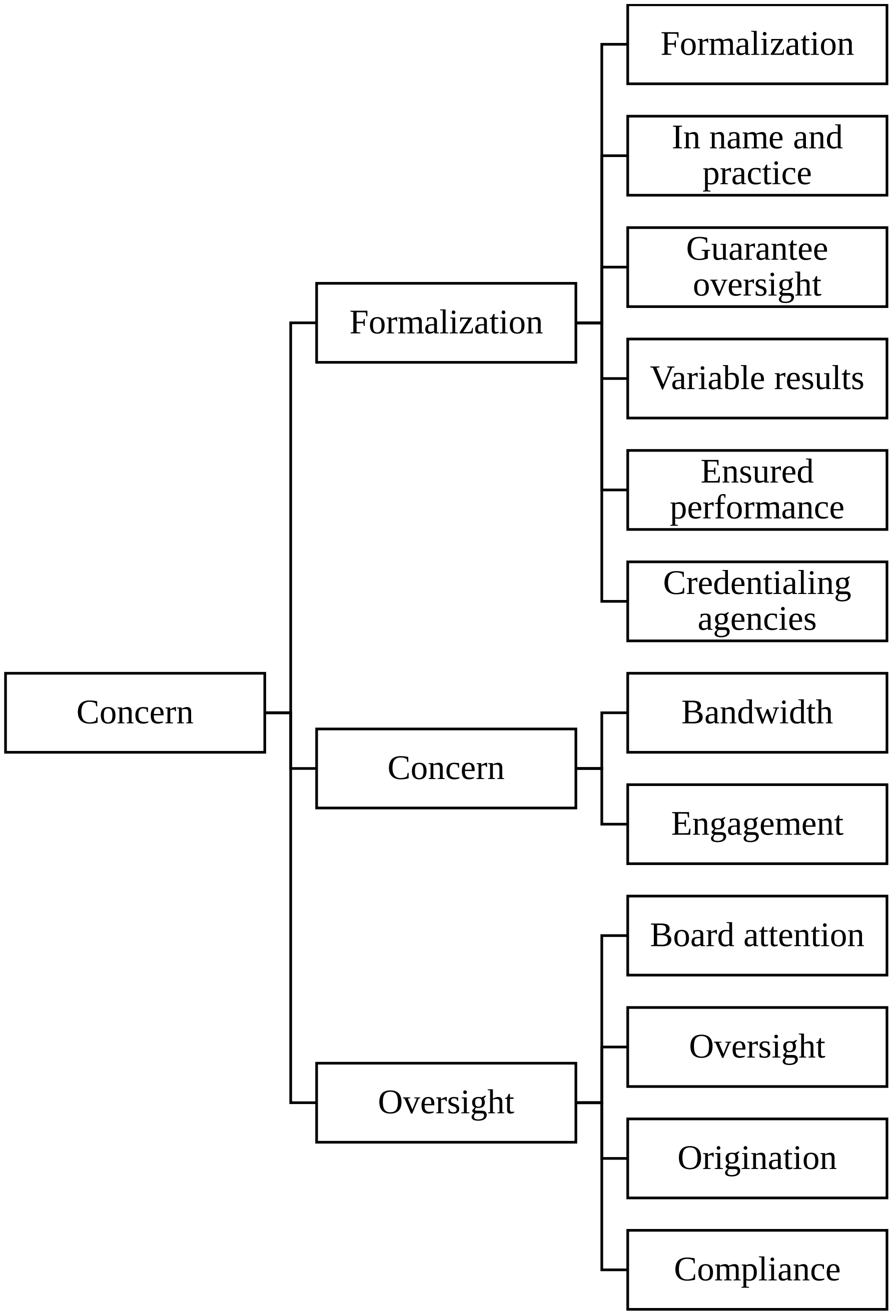
Table 8 High-level Thematic element (Communication)



- *Concern*- Concern emerged as a meta-thematic element comprised of formalization, concern, and oversight. It speaks to many issues simultaneously. When concern was felt and expressed, leaders felt mutually checked and safeguarded.
  - Formalization- Formalized features played prominently in the responses given due to the nature of the questions being explored. Formalization, for what it is worth in principle or in practice, emerged as an important theme throughout the research.

- Concern- Concern wasn’t expected but emerged from comparisons for responses and agency reports. This was a less-obviously tangible yet widely expressed need in the organization. This was especially true for the executive directors who gave a great deal or importance to board members being as concerned for the organizations as they themselves were.
- Oversight- Oversight emerged as a higher order theme related to the techniques and practices of checking another’s actions against expectations.

Table 9 High-level Thematic Element (Concern)



- *Safety-* The meta-thematic element safety emerged comprised of trust, vulnerability, and forgiveness. Regardless of the presence or absence of formalized features, it was safety that indicated whether the respondents mutually felt checked and safeguarded within their organization.

- Trust- Trust emerged as an overarching theme encompassing several related themes. Specifically, it was reported as confidence that one would deliver on their promises. It is intimately tired to vulnerability, as it is from vunerable situations that yield positive outcomes that trust is born.
- Vulnerability- The ability to be wrong and be safe was reported and emerged as a theme. The sense of safety in vulnerable spaces was not taken for granted and those who reported it reported it with much appreciation and gratitude.
- Forgiveness- Two themes were represented in forgiveness. Where trust and safety existed, there was room for error, learning, and improvement. In agencies that were confident in their leaders' capacities, there was forgiveness for shortcoming and clearly expressed latitude.

Table 10 High-level Thematic element (Safety)

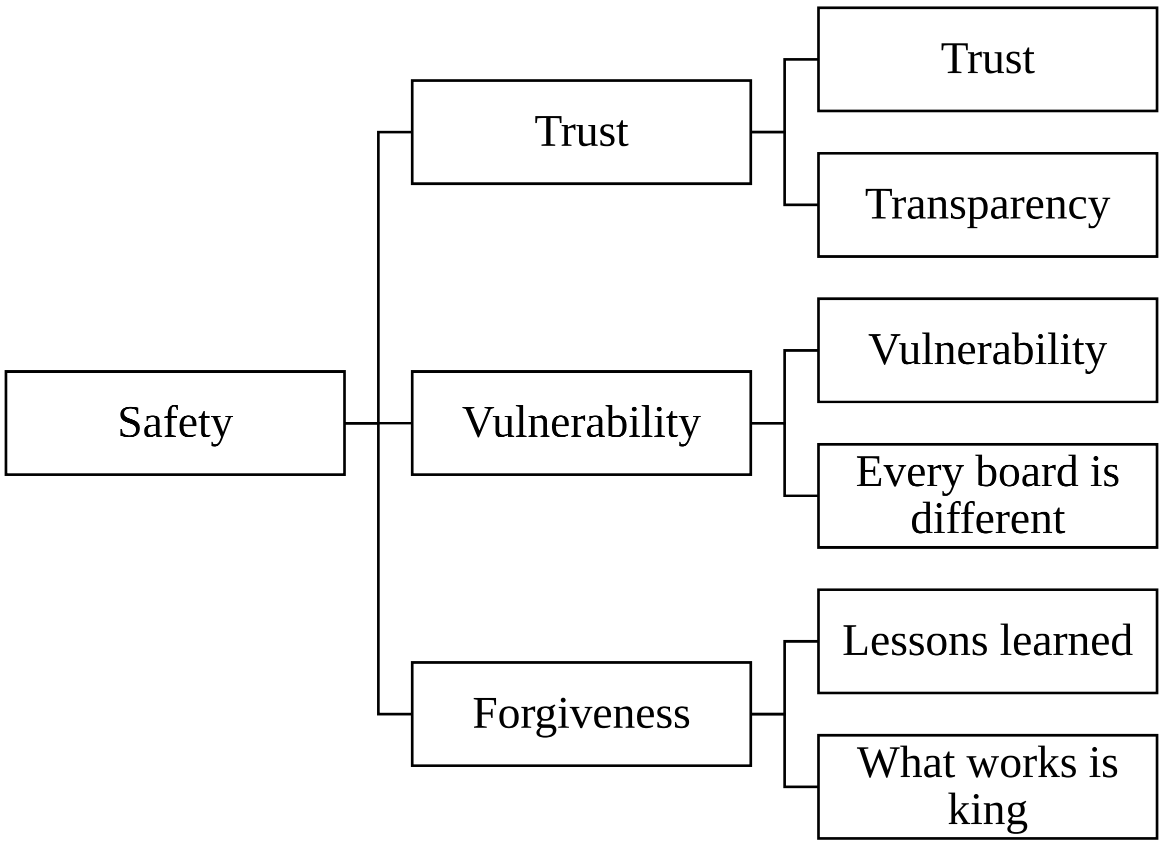
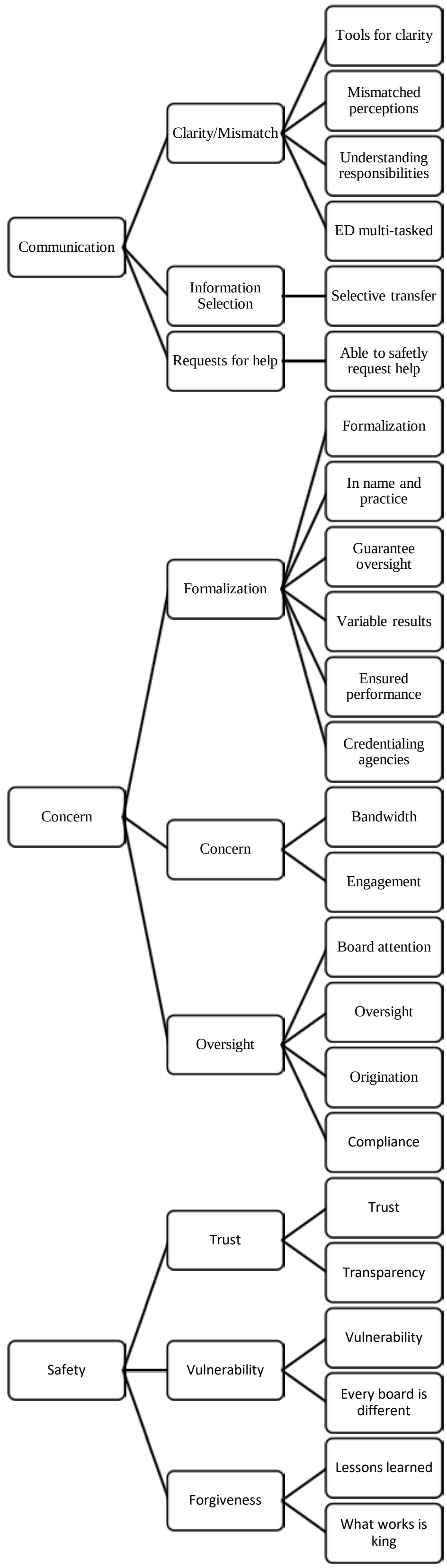


Table 11 Combined High-level Thematic Matrix



Conclusion

There are two calls to action resulting from this study. The first is an imploring of nonprofit boards to inventory formalized governance features in use in their agencies. The reason for this is three-fold. The first reason is that formalized features should be noticed so they can be assessed for efficacy and goodness of fit in the organization. Secondly, the organization should take note of which formalized features are in place and institutionally focus on the reason they exist in the organization. The answer to why certain features exist ought to be more than "because it's always been done that way." Once an inventory has been made and the reasoning brought to light, the third reason, can be instituted. The board can determine if there are other formal features that ought to be enacted or if there are some that may be done away with. In doing so, the organization may then also focus on the more important relational aspects of the board/executive director dynamic. By focusing on the improving communication, demonstrating concern, and enriching the dynamic with trust and safety. The second call to action, proposed is the introduction of a system from Emotional Focused Therapy EFT (Designed to facilitate healthy relationships) to address this need.

Communication, concern, and safety arose as the pinnacle drivers of the relationship between executive directors and their boards of directors. The second call to action is to further explore the applicability of an organizational type of Emotionally Focused Therapy (EFT). Stemming from ground-breaking work focused on improving relationships in a psycho-therapeutic clinical setting by Sue Johnson (2008), EFT acknowledges the importance of the social capital between parties. More importantly, it calls for methods and approaches demonstrated to rebuild and strengthen inter-personal relations. Accessibility, responsiveness, and engagement form the core of a healthy interpersonal relationship (Johnson, 2008)- each of which specifically addresses the three thematic elements identified in this study (communication, concern, and safety).

The relationship between the board of directors and executive director is an emotional and cognitive one. To address the emotional, boards should focus on being (A.R.E.):

- Accessible- Essentially, the board should “be there” when the executive director needs them and visa-versa.
- Responsive- This behavior is seen in the field as being present and supportive during good times and hard times both. Little Giant exemplified this in their board and executive director approaches.
- Engaged- This behavior is felt and seen. It is accomplished through the deliberate application of attention to the needs of the executive director. It is evident when the executive director and board members feels valued and appreciated

Each component of A.R.E. addresses an analogous feature identified in the thematic review. Principally, Accessibility addresses Communication, Responsiveness addresses Safety, and Engagement Addresses Concern. It is proposed that these core components of EFT can improve the underlying aspects of the board/executive director relationship and yield the checking and safeguarding desired from the outset. It is my hope this insight spurs research and experimentation into this transdisciplinary space.

Initially, the question was: What theory (Agency or Stewardship) best accounts for the observed practices and perspectives between nonprofit executive directors and their boards? While some aspects of governance in the nonprofits interviewed could be well described with one or the other, no one theory arose to explain all aspects considered. The short answer therefore is: Neither.

> *What I discovered is that, at its core, the dynamic between executive directors and their boards is relational. It is a human relationship…and there are ways to improve human relationships.*

This does not mean to say that either theory is derelict or lacks utility. Behavioral Agency Theory was certainly more aligned and brought into consideration social costs, checks and safeguards not specifically formalized, and the relational aspect of contracts as explored here. Kingdon's Multiple Streams Approach was newly applied in the literature to account for governance approaches in context of nonprofit boards. Finally, thematic comparisons revealed foundational aspects of the executive director/board dynamic: Communication, concern, and safety.

Limitations

Small sample size and generalizability

The limitation to generalizability is the small sample size and non-random sampling of the respondents. While the agencies were chosen carefully and deliberately, they were not randomized. Despite the small sample, the depth of interview was obtained in this manner. In future research, questions relating to the operability of MSA in nonprofit board governance could be surveyed for with larger samples. Furthermore, new instruments could be designed for this purpose following the insights from this research. Given the paper was designed to explore deeper, less well-explored knowledge in the minds of the respondents, this was the appropriate sampling for this work.

Agency Diversity

While the variability of the agencies in size and structure added diversity to the findings, outliers may be mistakenly take as common. In future research, agencies of varying sizes and sector participation could be surveyed for the presence of unnoticed formalized features and culture governance windows

Geographical constraint

It has been noted that the culture of nonprofit boards of directors may vary regionally. The selection size may certainly be an issue in this space. In order to explore the ideas presented in this paper, the geographical constraint should be noted and kept in mind when exploring for future research.

Non-combined Methodology

Being strictly qualitative, generalizability (in the conventional sense) is not readily achievable from this space. With additional research, including a quantitative design following this inductive approach, it is possible, but extends beyond the scope of this paper.

Reflection

There is probably no more humbling experience than realizing how naïve one's approach was at the beginning of a great journey. This researcher began expecting to see an "either/or" situation when analyzing checks and safeguards within nonprofit organizations. It was believed that either Agency Theory or Stewardship Theory would better account for checks and safeguards in place in select nonprofit organizations. This was not the case. What was observed was did not perfectly fit one or-the-other of these two (now recognizably false) dichotomies. What was observed was a confluence of trust, concern, communication, and a belief in certain cases by certain people that formalization is a solution to principal/agent conflict.

Checks and safeguards in the relationship between executive directors and their boards ought not to cloud the truer relational partnership that exists between them. There is no substitute for positive, effective, relational partnerships. In some cases, highly regimented executive directors with contractual bonds still managed to fail-to-perform year after year. In other cases, completely at-will executive directors managed to outperform and impress very engaged boards.

What I initially thought would be an exploration of *trust* with its sinister temptress-*abdication;* or *scrutiny* with its slippery slope toward abject *micro-management* was neither. The reality was that we were looking at deep underlying interpersonal themes and features of formalization. I urge that we begin to pay attention to the cultures in which we find ourselves. Notice what you are not noticing. It is extremely difficult to address that which you have not yet noticed yourself doing.

I began the dissertation by highlighting a nonprofit whose board was essentially bamboozled by the executive director. Most importantly, in that case there *was* a well-defined contract in place. The very notion that a contract could have prevented it is exactly what did not occur. The contract enabled the manipulation of the system and the breaking of the principal's interests from the agent's. The system broke down despite the appearance of safeguarding procedures being in place. It was the exact opposite of what I thought I'd see in the study. I learned that, while my perspective was mistaken from the outset, there was ample learning to be done along the way.

APPENDIX A
(INSTITUIONAL REVIEW BOARD CONSENT FORM)

UNLV

Informed consent
School of <u>Public Policy and Leadership</u>

Title of Study: Hearts and Minds: An analysis of checks & safeguards, monitoring, and performance review of executive boards and their executive directors within select Southern Nevada nonprofit organizations.
Investigator(s): John M. Wagner MPA
For questions or concerns about the study, you may contact John Wagner at **john.wagner@unlv.edu.**

For questions regarding the rights of research subjects, any complaints or comments regarding the manner in which the study is being conducted, contact **the UNLV Office of Research Integrity – Human Subjects at 702-895-2794, toll free at 877-895-2794 or via email at IRB@unlv.edu.**

<u>Purpose of the Study</u>
You are invited to participate in a research study. The purpose of these study is to explore organizational checks and safeguards: such as contracts, monitoring, and performance review at certain nonprofit organizations.

<u>Participants</u>
You are being asked to participate in the study because you fit this criteria: You are an executive director, or sit on the board of directors, of a nonprofit organization.

<u>Procedures</u>
If you volunteer to participate in this study, you will be asked to do the following: 1. Respond to interview questions and offer your opinions on matters relating to the contracts, monitoring, and performance review practices at your organization.

<u>Benefits of Participation</u>
There will be no direct benefits to you as a participant in this study. However, we hope to learn how boards and executive directors interact with each other how contracts, performance monitoring, and performance reviews operate within certain nonprofit organizations.

<u>Risks of Participation</u>
There are risks involved in all research studies. This study may include only minimal risks. Anticipated risks include: that you may become uncomfortable when answering some questions.

Cost /Compensation
There will be no financial cost to you to participate in this study. The study will take less than 1-hour of your time. You may not be compensated for your time.

Confidentiality
All information gathered in this study will be kept as confidential as possible. No reference will be made in the final presentation of written or oral materials that could link you to this study. All records will be stored in a locked facility at UNLV for two-years after completion of the study. After the storage time, the information gathered (both physical and electronic) will be destroyed/permanently deleted.

Voluntary Participation
Your participation in this study is voluntary. You may refuse to participate in this study or in any part of this study. You may withdraw at any time without prejudice to your relations with UNLV. You are encouraged to ask questions about this study at the beginning or any time during the research study.

Participant Consent:
I have read the above information and agree to participate in this study. I have been able to ask questions about the research study. I am at least 18 years of age. A copy of this form has been given to me.

____ ___________________
Signature of Participant Date

____
Participant Name (Please Print)

Audio/Video Taping:

I agree to be audio or video taped for the purpose of this research study.

____ ___________________
Signature of Participant Date

____

APPENDIX B
EMAIL RECRUIMENT COPY

Participant Name (Please Print)

Recruitment email script:

My name is John Wagner and I am conducting research on the relationship between executive directors and their boards of directors of non-profit organizations. While this an incredibly vital and important relationship, it is an area of academic literature that is not well-studied.

I would like to ask for your help to enrich this body of knowledge in this space. The goal is to explore organizational checks and safeguards: such as contracts, monitoring, and performance review. I would like to set-up an in-person interview, first with you, then with one of your board members, to discuss these topics.

Your responses will be made unidentifiable in the final report. I thank you for your time and consideration and hope to hear from you to schedule an interview. It is expected that the interview will take less than one-hour to complete.

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CURRICULUM VITAE

JOHN M. WAGNER PHDC, MPA

JohnMWagner@gmail.com

Objective: To serve by diligently representing and promoting the values of the public service and philanthropy.

15+ YEARS OF PROGRESSIVE PROFESSIONAL PUBLIC, NON-PROFIT, AND HIGHER EDUCATION EXPERIENCE INCLUDING:

- *Public policy development*
- *Grant Writing and Reporting*
- *Community Outreach and Public Speaking*
- *Public Workshop Development*
- *Strategic Planning and program evaluation*
- *Media Relations*
- *Lobbying*
- *Inter-agency Alliance Formation*

BACHELOR OF SCIENCE & GRADUATE DEGREES SPECIALIZING IN:

- *Board Development and Leadership*
- *Community Development and Urban Solutions*
- *Public Speaking*

PROFESSIONAL EXPERIENCE

STATE OF NEVADA — UNIVERSITY OF NEVADA, LAS VEGAS — Las Vegas, NV

Director of Community Relations January 2013-Present

I am directly responsible for identifying and meeting with internal leadership, students and faculty, community stakeholders and connecting them with University assets, talents, and resources.

Key Results:

- Developed the innovative philanthropic/student learning lab advising on more than 1.3 million dollars to-date.
- Successfully launched a new program of community focused student-led volunteer specialists.
- Oversaw the creation, funding, and launch of the UNLV Urban Data Lab which focuses on consolidating data to facilitate inter-disciplinary solutions to urban challenges.

- Provided key direction in the development of the Nonprofit Directory and Database in collaboration with HELP of So. NV, Nevada 211, and the City of Las Vegas.
- Developing the Non-Profit Community Expo in collaboration with the United Way, Young Nonprofit Professionals Network, and the Las Vegas Clark County Library District.
- Prepared conferences and presented at numerous community events, conferences, and media interviews.

SOUTHERN NEVADA HEALTH DISTRICT— Las Vegas, NV

Environmental Health Specialist II *June 2006 to December 2012*

Served the public as a program specialist, negotiated interagency cooperative agreements, program spokesperson for media interviews, managed program grant writing and reporting, and administered community and stakeholder outreach efforts.

Key Results:

- Proactively led efforts to enhance compliance through public education and community outreach. Increased compliance rates by 15%.
- Successfully applied for, obtained and administered grant compliance for more than $700,000 in state grant funds.
- Increased program revenues in 2011 by 8%.
- Participated in public/private workshops, conducted television/print media interviews, and mediated interagency contract negotiations.

NONPROFIT MANAGEMENT EXPERIENCE

NEVADA ENVIRONMENTAL HEALTH ASSOCIATION— Las Vegas, NV

President *June 2011 to June 2013*

Vice-President *June 2010 to June 2011*

Served as the Chief Executive Officer for a 160-member Section 501 (c) (3) non-profit organization in Southern Nevada. Successfully integrated industry and community, managed training budgets, administered grant applications/reports, conducted community outreach efforts, and trained Environmental Health professionals throughout the state.

Key Results:

Successfully planned, prepared, and presented the Nevada Environmental Health Association's 48th and 49th Annual Educational Conferences for more than 160 federal, state, and local Environmental Health officials.

United numerous community leaders and stakeholders with other leaders, organizations, and available resources.

Raised more than $5,000 in cash and in-kind donations for our non-profit partners in 2012.

Created an alliance of public health leaders where there previously was none. This alliance included the Nevada Chapter of the Food Allergy Network, Three Square, Nevada Division of Public Health, UNLV Healthy Homes, the Nevada Food Safety Task Force, Safe Harbor Foods, the United States Department of Agriculture, and CKE industries.

Integrated the Northern EH Community with the Southern for the first time in 8 years. Successfully identified important stakeholders in multiple regions, organized cooperative efforts, and supplied logistical and financial support to facilitate this reunion and to enhance statewide abilities to serve and protect all of Nevada's residents and visitors.

EDUCATION

UNIVERSITY OF NEVADA, LAS VEGAS
Public Affairs Ph.D. program *2011-currently enrolled*
Masters in Public Administration *2009-2011*

Research Focus:

Public finance	Labor relations and dispute resolution	Inter-sector collaboration
Personnel management	Urban Sustainability	Grant writing

UNIVERSITY OF NEVADA, LAS VEGAS
Graduate Certificate in Public Management *2008-2009*

Coursework Highlights:

Budget preparation	Media relations	Policy implementation
Accounting	Arbitration and grievance resolution	Strategic planning
Diversity appreciation	Consensus building	Equity and social justice

BRIGHAM YOUNG UNIVERSITY
B.S. in Microbiology *1999-2005*

Coursework Highlights:

- Public Health and safety
- Epidemiology
- Medical microbiology
- Technical writing
- Statistics
- Public speaking
- Human development
- Soil microbiology
- Geology/hydrology

REFERENCES

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