Diversity in Nonprofit Board Governance

Norm J. Jones, Ph.D.
Strategic Solutions Group Intl., Inc.
Tuesday, February 5, 2013

Learning Agenda

I.   Crucial Questions: Setting the Context

II.   Board vs. Committee/Staff Work

III. Mapping Exercise

IV.   Wrap Up/Q&A

Diversity Definitions

Simple definition:

DIFFERENCE

Diversity in Nonprofit Governance

Question 2:

How many have a strategic plan?

How many have diversity language in their strategic plans?

Difference in Nonprofit Governance
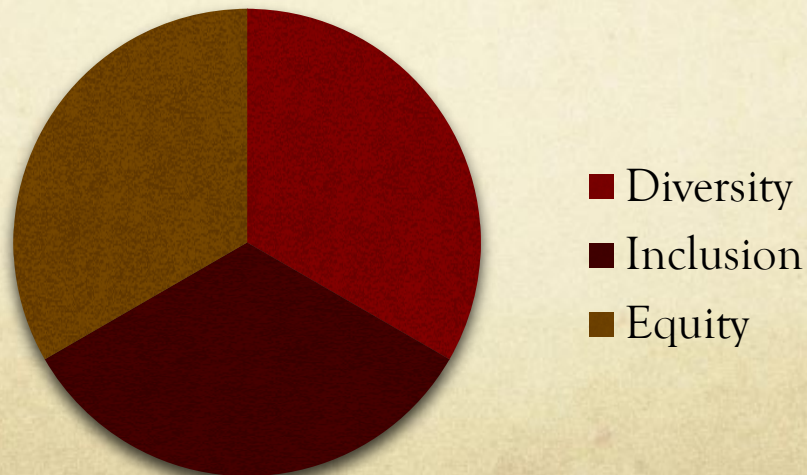
Question 1:

How much difference exists in your current governance structure?

(difference race, class, gender, age, etc.)

Visible and Invisible Diversity

- Being intentional about this work requires dialogue.

- Do we know what diverse others we intend to reach and why?

- Inclusive Excellence Framework

Inclusive Excellence

- Diversity
- Inclusion
- Equity

Diversity and Demography

What is the demographic composition of the community/communities we serve?

Is this demographic represented in any way within our governing body?

Gap Analysis

What are your diversity goals?

- Diversity

- Equity

- Access

- Representation

- Inclusion

Outreach Strategy

- ❑ Ethnic Media

- ❑ Networking

- ❑ Business associates tied to diverse communities

- ❑ Volunteers

- ❑ Linguistic methodologies

- ❑ "Taking the show on the road"

- ❑ Contracted services

Making the Business Case

❑ Diverse perspectives lead to better decision making

❑ Legitimizes the mandate of an organization

❑ Builds social capital/cohesion among diverse populations

❑ Becoming responsive to a community

❑ Facilitates fundraising and market reach

Macro vs. Micro

Committee of the Whole Concerns	Individual/Small Group Concerns
Board Demography	Who is responsible for leading diversity efforts?
Policy Development	Who will monitor and propose policy changes?
By-Law Language	Who will identify training needs? Who will identify on-going initiatives?

The Role of Racial Diversity in Nonprofit Governance:
Does a "Representation Mismatch" Influence Stakeholder Orientation?[1]

Kelly M. LeRoux
University of Kansas
Department of Public Administration
kleroux@ku.edu

Sheri S. Perry
University of Kansas
Department of Public Administration
sperry@ku.edu

ABSTRACT

As private enterprises that often have "public-serving" missions, public charities must balance the conflicting demands of multiple stakeholders, especially the clients they serve and those that provide the resources to enable the organization's existence. The potential is great for those governing nonprofits to feel pulled by the competing influences of donor demands and client needs. What stakeholder interests do nonprofit organizations see themselves as representing? What role does board composition play in determining nonprofits' stakeholder orientation? We explore these questions by examining determinants of stakeholder orientation among those who govern nonprofits. We posit that the racial "representation mismatch" is a key variable influencing stakeholder orientation. The representation mismatch is measured as the difference in proportion between the non-white representation on the agency's board of directors and the agency's non-white clientele. Although there is little research related to the diversity of nonprofit boards, the existing evidence finds nonprofit boards to be predominantly white (15 percent), yet non white clientele make up a disproportionately large number of those who rely on the services of public charities (Independent Sector, 2002).

INTRODUCTION

Why does stakeholder orientation matter? We believe stakeholder orientation matters because individuals serving in organizations have limited time, energy and attention. Attention to one stakeholder leads to less time, energy, or attention for another. Service-delivery and fund-driven orientations are not exclusive of one another, both are responsibilities of any functioning board, however, these orientations are competing for

2

scarce human resources. There is great potential for role conflict in balancing these competing demands – trying to satisfy funding agencies while meeting client needs.

As private enterprises that often have public missions, charitable organizations must balance the competing demands of multiple stakeholders, in particular to the clients they serve and those that provide the resources to enable the organizations existence. We are interested in studying: What is the role of stakeholder orientation in nonprofit governance? What role does board composition play in determining stakeholder orientation? What is the effect of a representative mismatch between board members and clientele on issues of advocacy and stakeholder orientation?

A REVIEW OF REPRESENTATIVE BUREAUCRACY LITERATURE

Representative Bureaucracy is concerned with demographic characteristics of bureaucrats, and how these characteristics affect the distribution of outputs to clients who share these characteristics (Wilkins 2006). Essentially, it assumes that racial representation, or a match of demographic characteristics between clients and bureaucrats, will translate in to advocacy for client needs.

Scholars (Keiser, et al 2002; Meier and Bohte 2001; Riccucci and Meyers 2004; Wilkins and Keiser 2006) have identified two types of representation; passive representation and active representation. Passive representation is a match of demographic characteristics between bureaucrats and clients. Active representation is when bureaucrats advocate or work to further the needs of their clientele. Passive representation does not always translate in to active representation (Selden 1997).

However, active representation is what brings about change in policy, organizational culture and structure, and produces real results for clients.

Keiser, Wilkins, Meier and Holland (2002) define seven institutional or contextual factors affecting the transformation of passive representation into active representation; discretion, direct benefit or salience of a policy issue for a particular group, organizational mission or socialization, hierarchy, stratification, critical mass and professionalism. Discretion is considered favorable, especially at the lower-levels of the organization, the place where the bureaucracy interacts with the client. It is argued that increased discretion leads to an increase in active representation (Meier and Bohte 2001; Wilkins and Keiser 2006). Meiers and Bohte (2001) use Texas school data to look at employee discretion and minority student performance. In their study discretion is measured as span of control, wider spans of control equal increased discretion. They find that minority student performance improves under organizational structures that promote, rather than limit, minority teacher discretion. The authors state, "Organizational structures that enhance discretion are desirable because they transform passive representation to active representation for minority populations." (465) Wilkins and Keiser find the link between passive and active representation is most likely to occur when the bureaucrat has authority and discretion (97), "active representation will only exist for street-level bureaucrats who have high levels of discretion." (99)

Salience of the policy issue is the second factor effecting the transformation of passive to active representation. The more salient the issue is to the represented group, there is an increase in active representation (Wilkins and Keiser 2006). Wilkins and Keiser (2006) look at the transformation of passive to active representation in the case of

child support agencies. In their study, sex becomes a salient policy issue to child support street-level bureaucrats because child support enforcement meets the definition of a gendered policy area (90): it is identified as a women's issue by social movements and interest groups, and child support policy benefits women as a class because most custodial parents seeking support are female. Thus, Wilkins and Keiser hypothesize that an increase in women working in child support offices will increase the enforcement of child support policy. They find a link between passive and active representation only exists when the consequences of the policy have direct benefit to women as a class.

The third factor is organizational mission or socialization. When the organizational mission aligns with assisting a particular group, this leads to active representation (Wilkins and Keiser 2006). It would also influence advocacy by all members of the organization, not just by those who are members of the particular group.

The fourth factor is organizational hierarchy, flatter hierarchies and more decentralized structures link passive to active representation (Keiser, et al 2002). The fifth factor is stratification, essentially who occupies the top of the hierarchy. Scholars (Keiser, et al 2002; Selden 1997) have found that representatives of the particular group in upper levels of the hierarchy create an environment more conducive to representative advocacy (active representation). Keiser, et al finds that hierarchy and stratification play an important role in the transformation from passive to active representation. According to the authors, the implications are far reaching, "Institutional barriers that create glass ceilings for women have policy consequences that go beyond the lack of opportunity for individual women." (563)

Critical mass is the sixth factor that transforms passive representation into active representation. Essentially, there is a numeric threshold, if the number of members in a particular group increase this leads to an increased voice and advocacy (Kanter 1977).

The seventh factor is professionalism, like mission, this affects the entire organization not just the representatives of a particular group. Professionals see advocacy for a particular group as their role and part of their job, which leads to advocacy or active representation within the organization or agency (Meier and Bohte 2001).

For the purposes of this study we are interested in the active representation of nonprofit leaders, particularly board members. It is important to note there is a difference between nonprofit leaders and government bureaucrats. LeRoux points out in a previous article that these groups "represent two distinct institutional forms, with very different types of legal authority through which to achieve active representation." (LeRoux and Sneed 2006) Though nonprofits exist outside of government, they do influence public policy making. Nonprofits are limited by the Internal Revenue Service code in the amount of advocacy they provide, these activities cannot consume a "substantial" portion of the organizations overall activities, but many nonprofits still engage time and resources in advocacy, lobbying, mobilizing their clientele, or contacting public officials about pertinent issues.

Nonprofit Board of Directors Diversity Representation

Diversity and representation are important in the composition of nonprofit boards. The board of directors is the policy-making, and often the enforcement arm, of a nonprofit organization. The composition of the board of directors heavily influences

policy priorities and delivery of services to clients. In order to adhere to shared values of responsiveness, effectiveness, and accountability a representative board is essential.

Daley and Marsiglia conducted a study of nonprofit agencies who are members of the United Way in two mid-sized cities in the state of Arizona. They determined eligibility based on years of operation, staffing, size and diversity of board members, as well as meeting habits of the board. Once the criteria were met, the agencies were randomly selected for the study. The study included interviews, meeting observation, and review of agency and board documents. The purpose of the study was to identify views and issues of board members in relation to social diversity. Social diversity included culture or ethnicity, gender, religion, language, sexual orientation, socioeconomic status, age, community of residence, ability level, client status and length of board service. The authors made an important distinction in diversity: **demographic diversity** which refers to board demographic composition (passive representation) and is distinct from **functional diversity**; which incorporates diverse voices, interests and perspectives in the policy process (active representation). (2) This paper is most interested in functional diversity in the composition of nonprofit boards.

Of the boards included in the study, approximately 60 percent had 50:50 to 70:30 male-female compositions. A few boards reflected minimal involvement in ethnic composition (less than 10 percent). Of those studied, only two boards reflected the ethnic proportions in the general population (about 30 percent minority population). (6)

The study determined ethnicity/culture, socioeconomic status, client status, gender, profession and expertise were significant in board composition. Less important characteristics were age, sexual orientation, geography, and religious affiliation. (10)

Interestingly, respondents were acutely aware of the composition of their boards; both ideal and actual. They were able to easily identify discrepancies in the composition of the board, but had no solution and showed minimal interest in remedying the problem, simply stating it "just happened." (10) A potential area of further study may be the recruitment practices of nonprofit board of directors, but it is beyond the scope of this paper.

The study found that most board members viewed issues of diversity in terms of demographic diversity, and showed little concern for "integrating new members and their new voices, perspectives, and interests into the ongoing board processes (functional diversity)." (15)

It was determined that board diversity issues compete with other board concerns; such as policy setting, fund-raising, and delivery of client services. Most notable in the composition of functional diversity of the board were the competing responsibilities of fundraising and delivery of services. Daley and Marsiglia find:

> Traditional board demographics – white, male professionals and business leaders who are "well connected" – tend to be viewed by respondents as board assets, especially in securing needed program resources. Groups that tend to be viewed negatively in this responsibility include low-income persons, many clients, groups, and young or inexperienced ("new") board members. (14)

One respondent stated, to incorporate different voices on the board "puts an undo burden on the organization. The boards responsibility should be primarily fund-raising, the financial well being of the organization…(socially diverse members) bring a connection to our client base that is important. But they also bring a lack of expertise in fund-raising

and a lack of expertise in terms of organizations management and those are detriments." (12)

The authors state: "These negative views about diversity appear to be based on implicit, unstated assumptions that people of color, people of lower socioeconomic status, or clients are less capable or less able to perform at the level at which traditional board members perform." (12)

Functional diversity (active representation) may not be the most efficient approach, but Daley and Marsiglia argue it is most effective. Diversity "can contribute to effective community problem solving and can improve board functioning in several ways: enrich problem and needs assessment, enhance decisions about goals and action strategies, and contribute to effective program/intervention design and implementation (including initial implementation, program maintenance, refinement and expansion)." (3)

This view is consistent with the representative bureaucracy literature. Essentially, diversity contributes to responsiveness of the organization to the clients they serve, more equitable decision- and policy-making, and a symbolic commitment to equal access to power. The struggle is in balancing competing responsibilities in fund-raising, important to organizational survival, and delivery of services, the reason for existence. This study will look at how nonprofit organizations balance these competing responsibilities.

A REVIEW OF STAKEHOLDER LITERATURE

Much of the work in stakeholder theory is being done in the private sector. Though they do not operate the same as for-profit businesses and differ on roles, responsibilities and motivations; nonprofits are classified as private sector institutions.

It seems that Freeman is the father of modern academic research in stakeholder interests. He defines stakeholders as "any group or individual who can affect or is affected by the achievement of the organization's objectives." (Jawahar and McLaughlin 2001) In 1984, Freeman "made a persuasive case that systematic managerial attention to stakeholder interests is critical to firm success." (Berman, et al 1999) Essentially, stakeholder theory states that boards should concern themselves with more than just money, as private organizations they are also social institutions with social responsibilities (Wang and Dewhirst 1992).

Wang and Dewhirst survey board members from 291 of the largest companies in the Southeast states. They wanted to determine the stakeholder orientation of these boards. The survey went to 2,361 boards of director members, 545 replied. The stakeholders of interest for this study are: stockholders, customers/clients, government, employees and society. They found that stakeholders matter. Board members feel a responsibility to respond to stakeholder expectations. However, there was great variation in how stakeholders matter and more research needs to be done on this topic to determine the influence of stakeholders on board activities.

In Berman, Wicks, Kotha and Jones 1999 study they looked at stakeholder management models and firm financial performance. One factor they considered was board diversity (race, ethnicity and gender). Diversity was expected to positively affect organizational performance. To their surprise, the findings in this area were statistically

insignificant. They urge further research on the topic because it does not match previous findings (Robinson and Dechant 1997; Waddock and Graves 1997).

In a study on nonprofit board diversity, William Brown (2002) asserts that nonprofit board diversity contributes to enhanced organizational performance, especially in the area of political orientation. Brown states, "Racially diverse boards will be more sensitive to the interests and concerns of stakeholders." (17)

It is our intention to add to this literature on stakeholder orientation in the area of nonprofit boards and hopefully bring some clarity to a few of the remaining questions.

RESEARCH QUESTIONS AND HYPOTHESES

This paper hopes to further the research on stakeholder orientation, particularly in the nonprofit sector. As well as apply the theory of representative bureaucracy to nonprofit governance, with the intention of underrepresented groups developing a voice as active representation increases in nonprofit boards. A third goal is to look at stakeholder orientation in light of a racial representative mismatch of board members. We hope to answer the following questions: What is the role of stakeholder orientation in nonprofit governance? And, what is the effect of a representative mismatch between board member and clientele on issues of advocacy and stakeholder orientation?

We explore these questions by examining determinants of stakeholder orientation among those who govern nonprofits. We posit that "representation mismatch" is a key variable influencing stakeholder orientation. The representation mismatch is measured as

the difference in proportion between the non-white representation of the agencies board of directors and the agencies non-white clientele.

Hypotheses

The following hypotheses are examined in this analysis: 1) nonprofits with a greater representation mismatch are likely to place a greater premium on governance activities that reflect a funder-driven orientation, and 2) as the mismatch decreases and board membership approaches parity with the demographic composition of agency clientele, greater time is devoted to governance activities that suggest a service-delivery orientation.

The normative theory of representative bureaucracy suggests that an organizations' workforce should demographically mirror its constituents (Krislov 1974). An abundant literature has empirically established the link between passive representation described by Krislov, and *active representation* whereby organizations that are demographically representative of their clientele are more inclined to deliver programs and services consistent with the interests and preferences of those clients (Sowa and Selden 2003; Keiser et al 2002; Meier and Bohte 2001; Dolan 2000; Meier 1993). Although there is little research related to the diversity of nonprofit boards, the existing evidence finds nonprofit boards to be predominantly white, with racial minorities comprising an average of 15 percent or less of board members (BoardSource 2004).

H_1: A racial representation mismatch strengthens governing members' orientation toward funding agents. Therefore, the representation mismatch will increase governance activities oriented toward funding sources (funder-driven orientation).

H₂: Organizations with a large racial representation mismatch will have a weaker orientation toward clients as stakeholders. Therefore, the representation mismatch will decrease governance activities oriented toward clients (service delivery orientation).

RESEARCH METHODS

Sample and data

Data for this analysis were collected through a mail survey of nonprofit organizations in the state of Michigan. Given the limited budget available for this study, the choice was made to limit the analysis to a single state, and to invest time and resources in maximizing the response rate. A systematic random sampling method was used to draw the names of 231 501c3 nonprofit organizations from the Michigan Attorney General's database of licensed charities, 197 of which were ultimately included in the sample.[2] Constructing a sampling frame for nonprofit surveys is a notoriously difficult process. Although the federal IRS 990 database is most comprehensive, it too is plagued by a number of limitations (Salamon and Sokolowski 2005). Berry, et al (2003) also point out that the addresses found in the 990 database are often incorrect and do not include current names of Executive Directors. The Michigan Attorney General's database was used because it offered the most comprehensive listing of Michigan nonprofits, along

---

[2] The initial sample contained 231 organizations. This included a number of charitable foundations, churches and 501(c)(4) organizations that were removed from the mailing list. Since the purpose of this research was to study the impact of government funding on nonprofits' orientation toward both funding entities as well as clients/members, these types of organizations would not have been appropriate targets for data collection.

with the benefits of updated mailing addresses and contact information, a factor believed to contribute to a relatively high rate of response.

The method for administering the survey conformed to that outlined by the Total Design Method for Survey Research (Dillman 2000). Surveys were administered by mail in three waves during the summer of 2004. Responses were received from a total of 119 organizations, constituting a total response of 60.4 percent. Thus, while the sample organizations may or may not be representative of nonprofits in other states, the sampling method combined with the response rate provide confidence that they are highly representative of the population of Michigan nonprofits. Organizations included in this sample are evenly distributed among urban, suburban and rural communities.

Because the surveys were addressed to Executive Directors, the nonprofit equivalent of a Chief Executive Officer, it is assumed that these persons or a delegate in close proximity to this position completed the questionnaire. The responses are thus presumed to come from top leadership speaking to the practices and activities of the organization as a whole.

Conceptual model

Stakeholder orientation is measured through a series of survey questions that asked Executive Directors to report on a scale of 0 to 4 the relative time devoted by agency administration and board members to certain activities, some of which pertain to serving clients and others related to contact with funders. We test a model that estimates the influence of various factors on stakeholder orientation, positing that orientation is a function of resource dependence factors, board composition, external context, racial representation mismatch and organizational characteristics.

Figure 1: Stakeholder Orientation Conceptual Model
Determinants of Stakeholder Orientation among Nonprofits
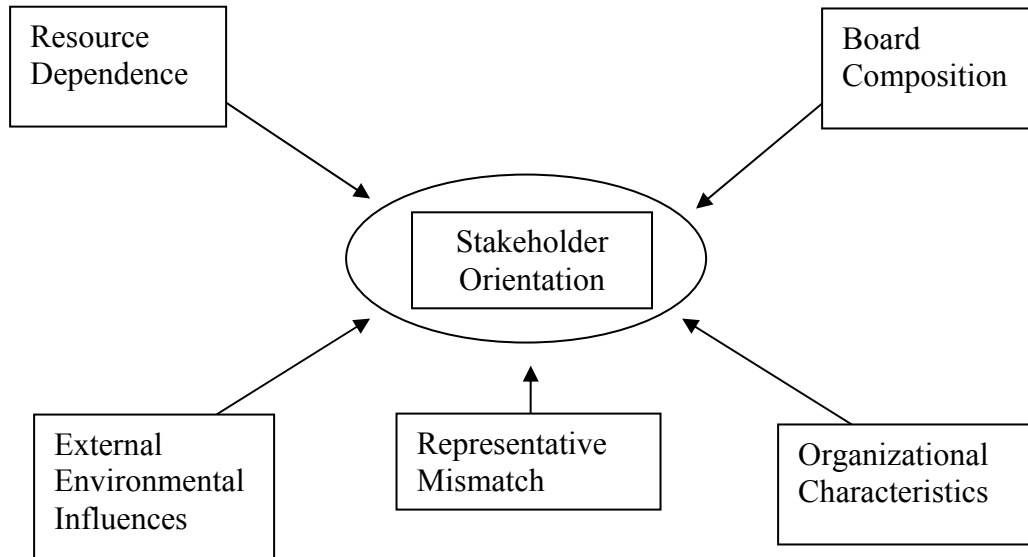
It is assumed that nonprofits accepting government funds are more likely to be responsive to clients, making them more service-delivery oriented. We also assume that accepting government funds will cause an organization to be more fund-driven in order to maintain their funding. Our model tests resource dependence in the areas of government funding, private charitable contributions, and foundation income.

Daley and Marsiglia identify client-as-board-member status, profession and expertise as significant factors in functional diversity of nonprofit boards. Our model tests this theory in board composition. These variables include the board members profession (attorney, elected official or finance expert) and the client/member status of board members. It is assumed that professional status will cause a board member to be more funder-driven in orientation, while client status will lead to a service-delivery orientation.

The model also tests external environmental influences on nonprofit board orientation. The competition among agencies and with other organizations is considered significant. It is assumed that increased competition will increase funder-orientation as there is a struggle for survival over scarce resources. This variable is measured with a 3 item scale construction from survey questions asking respondents (rated on a 0-4 scale with 0 being "none" and 4 being "high") to what extent their organization faced competition from other nonprofits, for-profit organizations, and public organizations in the area. Another important environmental factor is the community diversity. The percentage of the population that is nonwhite in the community where the organization is located is included in the model. This measures the "representativeness" – the match of board demographics to community demographics.

Organizational characteristics are control variables that could potentially influence our findings. The age of the organization may be a proxy for stability, in particular financial stability, which would influence the funder-driven orientation of our study. The size of an organization could also be a proxy for organizational stability. A small start-up likely spends a tremendous amount of time on fundraising activities, increasing their funder-driven orientation. As the organization matures, and grows, funding sources can become more stable. A healthy, stable organization will both endure over time and grow in capacity. It is assumed that stable organizations have stable funding sources, freeing them up to focus more on mission, clients/members and service-delivery.

Religious affiliation is included in the model as a control variable because it has the potential to influence the outcome of our findings. It is assumed that organizations

with a religious affiliation are likely to be less concerned about money, thus, more client-centered and service-delivery oriented. These organizations, by nature, are committed to a cause beginning at inception. A similar assumption is also made of social service agencies. Our model tests the significance of social service agencies and religious affiliation on stakeholder orientation. It is assumed these characteristics will have a positive relationship with service-delivery and a negative relationship with funder-driven orientation.

For this study, an important independent variable is the representation mismatch. The survey collected data on both the board minority composition and the minority composition of the client base. This measurement is the difference in proportion between the percentage of the organizations board of directors that is non-white and the percentage of the organization's non-white clientele/membership.[3] This variable is directly related to our hypotheses and key to answering one of our defined research questions.

(See table one – description of variables and measures)

RESULTS/FINDINGS

We posited a positive relationship between government funding and service-delivery orientation. The findings back this assumption at the highest level of statistical significance (p<.01). Nonprofit organizations accepting government funding are inclined toward their clients with a .093 coefficient; compared with a .047 coefficient for fund-

---

[3] Eisinger (1982) found that the effects of minority leadership disappear after controlling for the total percentage of the city population that is African American. Similarly, LeRoux (2007) found that African American representation on nonprofit boards is linked to certain types of client mobilization activities, but after controlling for the size of the African American population, these effects are suppressed.

driven orientation. However, there is an interesting finding related to fund-driven orientation – it is also statistically significant in a positive direction at the p<.01 level. This would mean that nonprofit organizations accepting government funding also pay significant attention to financial backers – government in particular. We explain this finding in relation to external environmental influences.

A competitive environment is also statistically significant (p<.05). Government is a huge income generator for nonprofit organizations. It is also an unstable source of revenue due to inconsistent budget allocations and ever- changing policy priorities. An increase in competition would cause an organization to be less sure of funding year to year – that environment would lead to a fund-driven orientation when accepting government funding. This is particularly interesting because nonprofits are legally limited in their interactions with government and government officials in this area. By law, they cannot spend a "substantial" amount of time or resources on activities that are defined as lobbying. Also, interestingly, having an elected official on the board has a positive relationship with a fund-driven orientation and a negative relationship with a service-delivery orientation, but neither of these findings are statistically significant. Further, research should be done on this finding – what "lobbying" or fundraising activities are nonprofit leadership engaging with government in obtaining or maintaining government funds? What effect does an elected official as a board member have on these activities?

When a nonprofit organization accepts foundation income, nonprofit leadership is likely to have a fund-driven orientation (p<.10, .057 coefficient). They are less likely to have a large endowment or private charitable contribution base of their own and are fighting for scarce dollars to sustain the organization.

As expected, the presence of a financial expert as a board member has a statistically significant impact on fund-driven orientation in a positive direction (p<.10, 1.382 coefficient). When recruiting board members, it is generally desirable to have someone with this skill set on the board in order to enhance functional diversity. Another desirable profession for board members is that of attorney. We tested for this profession in our model and it was not found to be statistically significant in either stakeholder orientation.

Client status on a board can be a controversial decision. Should it be allowed? If so, who is considered a "client?" If working with a mental health population, do you invite a patient to serve on the board or a family member of a patient? A similar problem exists for organizations that serve young children who are too young to represent themselves; or those suffering with fatal diseases like AIDS or Cancer, the elderly, or other debilitating health concerns who may not be able to make themselves available as board members. In recruiting a "client" as a board member one must answer - is a client a direct recipient of services or should it have a broader definition? These questions are beyond the scope of this study, but client board membership is found to be statistically significant at the highest level (p<.01, 3.842 coefficient) in service-delivery orientation. This was expected in our research model and we are not surprised by the strong evidence to back that assertion. What is surprising is the positive and statistically significant relationship between client status and fund-driven orientation (p<.10, 1.382 coefficient). Though, the findings are much stronger for the service-delivery orientation it is interesting that clients are also inclined to have a fund-driven orientation.

Our control variable of nonwhite population was not found to be statistically significant in either stakeholder orientation. It was important that our model measure this variable, especially in relation to our racial representation mismatch hypothesis. We believe it strengthens our argument that it was not found statistically significant as an external environment influence.

The age and size of the organization was not found to be statistically significant in the service-delivery orientation, though both were in the negative direction. (age -.011 coefficient, size -.008 coefficient). The findings in regard to fund-driven orientation are mixed. Age is seen to have a positive relationship with fund-driven orientation (p<.05, .041 coefficient). Size has a negative influence on fund-driven orientation (p<.05, -.015 coefficient). The size finding was expected because we related it to stability of the organization in our model. The coefficient for age of the organization is small, so the change on stakeholder orientation is small, but it was still in an unexpected direction.

The type of organization has an impact on the stakeholder orientation of nonprofits. Social service organizations are more likely to have a service-delivery orientation (p<.05, 2.875 coefficient); and less likely to have a fund-driven orientation (p<.10, -1.197 coefficient). These finding are consistent with the assumptions of our research model. Religious affiliation was not statistically significant to either stakeholder orientation, though, surprisingly, it was found to have a negative relationship with service-delivery orientation (-1.101 coefficient).

The variable that is most important to our study is the representative mismatch between board members and clientele. Our first hypothesis states, nonprofits with a greater representation mismatch are likely to place a greater premium on governance

activities that reflect a fund-driven orientation. Contrary to our hypothesis, this variable is found to have a negative influence on fund-driven orientation among nonprofits ($p<.05$, -.033 coefficient). Though our hypothesis is not supported, this is an encouraging finding. It seems to take a more optimistic view on nonprofit governance. Though funding is important to the sustainability of nonprofits, stakeholder theory is supported; boards are social institutions with social responsibilities beyond the focus of money.

Hypothesis number two states, as the mismatch decreases and board membership approaches parity with the demographic composition of agency clientele, greater time is devoted to governance activities that suggest a service-delivery orientation. We find a negative relationship with service-delivery orientation ($p<.10$, -.040 coefficient) under the representative mismatch variable. This finding supports our hypothesis and could make a case for the practice of racially diverse recruitment of board members. This leads us to ask the question: what implications do these findings have for racial representation of nonprofit board members?

(see Table 2 and 3)

DISCUSSION AND CONCLUSION

While research on nonprofit board diversity seems to be increasing, there is no published work that examines the extent to which the racial composition of boards reflects organizational clientele, or how those patterns of board/clientele matching influence organizational outcomes. This paper attempts to build on Brown's (2002) findings, which demonstrated that board diversity contributed to enhanced organizational performance. Brown found that as racial diversity of nonprofit boards increased, board

performance relative to political and educational dimensions substantially increases. These findings do not find fault with Brown's logic, only suggest that it is incomplete.

We attempted to bring clarity to some of the remaining questions surrounding racial representation and nonprofit governance. We focused this study on stakeholder orientation and posited two hypotheses related to assumed relationship between boards, funders, and clientele. We found positive statistical significance in fund-driven orientation related to resource dependence, and acceptance of government funding in particular; perceived competition among nonprofits; and the presence of a client or finance expert on the board. Representation mismatch and the social service organizational type have a negative relationship on fund-driven orientation; meaning, when these conditions exist boards are interested in more than money-only stakeholders, implying a social responsibility leaning that is consistent with stakeholder theory. Attorney and elected official board members were not found to be significant; neither was nonwhite population or religiously affiliated organizational type in fund-driven orientation. As expected, government funding, client board representation and social service organizational type were found to be positively related to service-delivery orientation. Outside of client status, board composition was not statistically significant in service-delivery orientation; neither was external context; nor age, size or religious affiliation of the organization. Representation mismatch was statistically significant, and had a negative relationship with service-delivery orientation, supporting our second hypothesis.

Stakeholder theory is an important concept in organizational management. We understand that raising revenue and representing clients are not mutually exclusive, and a

nonprofit board has the responsibility to serve both functions. However, boards are made up of humans, and humans have a finite amount of time, energy, and attention. Attention to one stakeholder leads to less time, energy or attention for another. Service-delivery and fund-driven orientations are competing for scarce human resources.

This paper did not answer all questions related to nonprofit governance, stakeholder theory and racial representation; more study needs to be done on these questions. Future studies may focus on nonprofit "lobbying" activities and the relation to government funding in a legally restrictive environment; as well as the role of elected officials as board members and their relation to these "lobbying" activities. There is much to be discovered on the role of racial representation in nonprofit governance.
A second possible study may be the elements of nonprofit management that transform passive racial representation (demographics) to active representation (advocacy). A third option could be nonprofit board member recruitment practices.

APPENDIX

<table>
<tr><td colspan="4" align="center">Table 1
Description of Variables and Measures</td></tr>
<tr><td>Dependent Variable</td><td>Mean/
Std Dev.</td><td>Min/
Max</td><td align="center">Description/Coding</td></tr>
<tr><td>Stakeholder Orientation: Funder-Driven</td><td>12.3/3.7</td><td>2/19</td><td>Variable can range from 0 to 20. Additive index of 5 items (α = .747) measured on a 0-4 scale. Respondents were asked to report how much time the organization devotes each week to the following activities: reporting to stakeholders and funding sources; collecting data on program outcomes; measuring or assessing agency performance; fundraising activities; building/strengthening ties with people the agency depends on.</td></tr>
<tr><td>Stakeholder Orientation: Service-Delivery</td><td>5.6/5.1</td><td>0/18</td><td>Variable can range from 0 to 20. Additive index of 5 items (α = .889) measured on a 0-4 scale. Respondents were asked to report how much time the organization devotes to the following activities: Advocating before government for the needs of clients/members; educating clients/members about proposed laws/regulations that might affect them; linking clients/members to legislative offices or elected officials; providing transportation to public agencies or meetings; educating their clients about their rights.</td></tr>
<tr><td>Independent Variables</td><td></td><td></td><td></td></tr>
<tr><td align="center"><i>Resource Dependence Factors</i></td><td></td><td></td><td></td></tr>
<tr><td>Government revenues</td><td>26/34</td><td>0/100</td><td>Proportion of agency's total budget that comes from government sources, all levels.</td></tr>
<tr><td>Private charitable contributions</td><td>27/31</td><td>0/100</td><td>Proportion of agency's total budget that comes from private charitable contributions.</td></tr>
<tr><td>Foundation funding</td><td>8/13</td><td>0/80</td><td>Proportion of agency's total budget that comes from foundations.</td></tr>
<tr><td align="center"><i>Board Composition</i></td><td></td><td></td><td></td></tr>
<tr><td>Attorney</td><td>.50/.50</td><td>0/1</td><td>Dichotomous variable indicating an attorney serves on the Board of Directors. Variable takes on values of 0 (No) or 1 (Yes).</td></tr>
<tr><td>Agency client</td><td>.52/.51</td><td>0/1</td><td>Dichotomous variable indicating an agency client/member serves on the Board of Directors. Variable takes on values of 0 (No) or 1 (Yes).</td></tr>
<tr><td>Finance professional</td><td>.63/.49</td><td>0/1</td><td>Dichotomous variable indicating a finance professional serves on the Board of Directors. Variable takes on values of 0 (No) or 1 (Yes).</td></tr>
<tr><td>Elected official</td><td>.25/.43</td><td>0/1</td><td>Dichotomous variable indicating that an elected official of any type serves on the Board of Directors. Variable takes on values of 0 (No) or 1 (Yes).</td></tr>
<tr><td align="center"><i>External Environmental Influences</i></td><td></td><td></td><td></td></tr>
<tr><td>Perception of competition</td><td>3.8/2.9</td><td>0/12</td><td>Variable can range from 0-12. Additive index of 3 items (α = .724) measured on a 0-4 scale. Respondents were asked to indicate on a scale from 0-4 with 0 being "none" and</td></tr>
</table>

			4 being "high" to what extent their organization faced competition from these three sources: other nonprofits in the area; for-profit organizations in the area; and public organizations in the area.
Community diversity	29.3/27.5	1.4/87.7	Percentage of the population that is nonwhite in the community where the organization is located. Source: U.S Census Bureau, 2000.
Organizational Characteristics			
Representation mismatch	-11.8/22	-73.3/56.7	Difference in proportion between the percentage of the organizations Board of Directors that is non-white and the percentage of the organization's non-white clientele/membership. Variable could hypothetically range from -100 to 100. A value of -100 indicates a complete representation mismatch, in which 0 percent of board members are minorities but 100 percent of organizational clientele are minorities; a value of 0 indicates total parity, or perfect representation between minority composition on the board and composition of minority clientele; positive values indicate atypical representation in which minorities comprise a larger percentage of agency board members than their proportion that exists among agency clientele.
Age	29.1/23.8	2/118	Age of the organization in the year 2005, based on the year the organization was founded. Source: Guidestar.
Size	18.91/46.81	0/340	Size of the organization as measured by the number of full-time equivalent employees reported in 2004.
Religious affiliation	.17/.38	0/1	Dichotomous variable indicating that the organization has a religious affiliation. Variable takes on values of 0 (No) or 1 (Yes). In most cases this information is apparent from the name of the organization. However, a survey question specifically asked respondents to indicate whether the organization has a religious affiliation.
Social service organization	.52.50	0/1	Dichotomous variable indicating that the organization is a social service provider, as identified by NTEE code. Variable takes on values of 0 (No) or 1 (Yes). Source: Guidestar.

Table 2			
Determinants of Fund-Driven Orientation among Nonprofits			
Variable	**B**	**Standard Error**	**t-score**
Resource Dependence			
Government funding	.047***	.013	3.52
Private charitable contributions	.019	.016	1.14
Foundation income	.057*	.030	1.92
Board Composition			
Attorney	-.203	.718	-0.28
Organization client/member	1.349*	.772	1.75
Finance expert	1.382*	.736	1.88
Elected official	.094	.854	0.11
External Environmental Influences			
Competitive environment	.317**	.130	2.44
Nonwhite population	.012	.012	1.07
Organizational Characteristics			
Representation mismatch	-.033**	.016	-2.01
Age	.041**	.015	2.67
Size	-.015**	.007	-2.09
Religiously affiliated	-.582	.928	-0.63
Social service organization	-1.197*	.707	-1.69
Constant	6.655***	1.254	5.31
***p<.01, **p<.05, *p<.10			
R square = .503 Adjusted R square = .393 *F (df₁, df₂) = 4.57 (14, 63)**** RMSE = 2.7448 n=78			

R square = .503
Adjusted R square = .393
$F (df_1, df_2) = 4.57 (14, 63)$***
RMSE = 2.7448
n=78

Table 3			
Determinants of Service-Delivery Orientation among Nonprofits			
Variable	**B**	**Standard Error**	**t-score**
Resource Dependence			
Government funding	.093***	.019	4.86
Private charitable contributions	.021	.024	0.90
Foundation income	.009	.044	0.21
Board Composition			
Attorney	-.352	1.029	-.034
Organizational client/member	3.842 ***	1.093	3.51
Finance expert	-.389	1.102	-0.35
Elected official	-1.980	1.232	-1.61
External Environmental Influences			
Competitive environment	.383	.248	1.54
Nonwhite population	.004	.014	0.30
Organizational Characteristics			
Representation mismatch	-.040*	.024	-1.66
Age	-.011	.021	-0.54
Size	-.008	.010	-0.84
Religiously affiliated	-1.101	1.364	-0.81
Social service organization	2.875**	1.109	2.82
Constant	-1.775	1.776	-1.00

***p<.01, **p<.05, *p<.10

R square = .506
Adjusted R square = .403
*F (df$_1$, df$_2$) = 4.91 (14, 67)****
RMSE = 4.0627
n=82

REFERENCES

Berry, J.M., D.F. Arons, G.D. Bass, M.F. Carter and Portney (2003). *Surveying Nonprofits: A Methods Handbook*. A Publication of The Aspen Institute Nonprofit Sector Research Fund.

BoardSource. 2004. Information accessed online at www.boardsource.org

Brown, William A. 2002. "Racial Diversity and Performance of Nonprofit Boards of Directors," *Journal of Applied Management and Entrepreneurship*. 7(4): 43-57.

Browning, Rufus P., Dale Rogers Marshall, and David H. Tabb. 1984. *Protest is Not Enough: The Struggle of Blacks and Hispanics for Equality in Urban Politics*. Berkley, CA: University of California Press.

Daley, J.M. and F.F. Marsiglia. July 2001. "Social Diversity Within Nonprofit Boards: Members' View on Status and Issues," *Journal of the Community Development Society* 32.2, pp 290(20)

Dillman, D. 2002. *Mail and Electronic Surveys: The Tailored Design Method*. New York: J. Wiley

Dolan, Julie. 2000. "The Senior Executive Service: Gender, Attitudes, and Representative Bureaucracy." *Journal of Public Administration Research and Theory*, 10(3):513-529.

Eisinger, Peter K. 1982. "Black Employment in Municipal Jobs: The Impact of Black Political Power," *American Political Science Review,* 76: 380-392.

Freidmann, John. 1966. "Two Concepts of Urbanization: A Comment," *Urban Affairs Quarterly*, 1(4):409-428.

Holland, Thomas P. 2002. "Board Accountability: Lessons from the Field," *Nonprofit Management and Leadership,* 12(4): 409-428.

Independent Sector. 2002. *The New Nonprofit Almanac and Desk Reference: The Essential Facts and Figures for Managers, Researchers, and Volunteers*. New York, NY: John Wiley and Sons, Inc.

Jeavons, Thomas H. 1997. "The Role of Values: Management in Religious Organizations," *Governing, Leading, and Managing Nonprofit Organizations,* edited by D.R. Young, R.M. Hollister, and V.A. Hodgkinson, 52-76, San Francisco: Jossey-Bass.

Keiser, Lael. R, Vicky M. Wilkins, Kenneth J. Meier, and Catherine A. Holland. 2002. "Lipstick and

    Logarithms: Gender, Institutional Context, and Representative Bureaucracy," *The American*

    Political Science Review, 96(3): 553-564.

Krislov, S. 1974. *Representative Bureaucracy.* Englewood Cliffs: New Jersey.

LeRoux, K. 2007. "Nonprofits as Civic Intermediaries: The Role of Community-Based Organizations in

    Promoting Political Participation.," *Urban Affairs Review,* 42(3): 410-422.

LeRoux, Kelly M. and Bethany G. Sneed. 2006. "The Convergence of Public and Nonprofit

    Values: A Research Agenda for the Intersectoral Study of Representative Bureaucracy."

    International Journal of Organizational Theory and Behavior, 9(4):

Meier, Kenneth J. 1993. "Latinos and Representative Bureaucracy: Testing the Thompson and Henderson

    Hypotheses," *Journal of Public Administration Research Theory,* 3(4): 393-414.

Meier, Kenneth J. and John Bohte. 2001. "Structure and Discretion: Missing Links in Representative

    Bureaucracy." *Journal of Public Administration Research Theory,* 11: 455 - 470.

Meier, Kenneth J. and Laurence J. O'Toole. 2006. "Political Control versus Bureaucratic Values:

    Reframing the Debate." *Public Administration Review* 66:2. (repeat)

Prychitko, David L and Peter Boettke. 2002. "The New Theory of Government Nonprofit Partnership: A

    Hayekian Critique of the Salamon Paradigm," *The Philanthropic Enterprise,* Working Paper

    Series, Paper I.

Riccucci, Norma M. and Marcia K. Meyers. 2004. "Linking Passive and Active Representation: The Case

    of Frontline Workers in Welfare Agencies." *Journal of Public Administration Research Theory,*

    14: 585 - 597.

Saidel, Judith R. 1998. "Expanding the Governance Construct: Function and Contributions of Nonprofit

    Advisory Groups," *Nonprofit and Voluntary Sector Quarterly,* 27(4): 421-436.

Salamon, Lester M and S.W. Sokolowski. September 2005. "Nonprofit organizations: new insights from

    QCEW data," *Monthly Labor Review,* 19-26.

Salamon, Lester M. 2002. *The State of Nonprofit America.* Washington D.C.: Brookings Institution Press, published in collaboration with the Aspen Institute.

Salamon, Lester M. 1995. *Partners in Public Service: Government-Nonprofit Relations in the Modern Welfare State.* Baltimore: Johns Hopkins University Press.

Selden, S. C. 1997. *The Promise of Representative Bureaucracy: Diversity and Responsiveness in a Government Agency*. M.E. Sharpe

Smith, Steven R. and Michael Lipsky. 1993. *Nonprofits for Hire: The Welfare State in the Age of Contracting.* Cambridge, MA: Harvard University Press.

Sowa, Jessica E. and Sally Coleman Selden. 2003. "Administrative Discretion and Active Representation: An Expansion of the Theory of Representative Bureaucracy," *Public Administration Review,* 63(6): 700-710.

Swanstrom, Todd and Julia Koschinsky. 2000. "Rethinking the Partnership Model of Government-Nonprofit Relations: The Case of Community Development," *Nonprofits in Urban America,* eds. R.C. Hula and C. Jackson-Elmoore*,* 199-221, Westport, CT: Quorum Books.

U.S. Bureau of the Census (2000). www.census.gov

Vogel, Ronald K. and John J. Harrigan. 2007. *Political Change in the Metropolis.* Pearson Longman Publishers: New York, NY.

Wilkins, Vicky M. 2007. "Exploring the Causal Story: Gender, Active Representation and Bureaucratic Politics." *Journal of Public Administration Research Theory,* Advance Access 17:77-94.

Wilkins, Vicky M and Keiser Lael R. 2006. "Linking Passive and Active Representation for Gender: The Case of Child Support Agencies." *Journal of Public Administration Research Theory,* 16:87–102.

Wirth, Louis. 1938. "Urbanism as a Way of Life," *American Journal of Sociology,* 44: 1-24.