Statement of Issue:

Does engagement (partnership and collaboration) between the board and CEO predict the effectiveness of electric co-operatives? This study began by looking at the “gap” between the governance and management of the organization, and whether better engagement between the board and CEO leads to organizational effectiveness. Organizational effectiveness was described as the acts of doing things right and doing the right thing; or doing the right thing – right!

To depict the gap between board and management, a conceptual model was put forth (Figure 1). The model theorized that collaborative efforts between the board and CEO would bridge the gap and yield organizational effectiveness. Herman & Renz (2004) wrote, “Doing things right is not a guarantee of effectiveness, instead board and management must collaborate to achieve organizational effectiveness” (p. 701).

As the research proceeded, the research issue narrowed to, “Do boards and CEOs clearly demarcate and separate their roles of responsibilities (authority), or, do they meaningfully engage with each other to achieve their roles of responsibilities? In other words, is there truly a “gap” in their engagement or is there a “space” for joint engagement?

![Figure 1–Bridging the Organizational Effectiveness Gap](image)

Overview of Literature:

The literature review considered three dimensions of engagement: First, the level of engagement in the role of the board and CEO in governance; second, the mode of engagement as boards and CEOs collaborate and partner in governance; and third, the effect of engagement on organizational effectiveness.

The level of engagement in the role of the board and CEO in the co-operative sector is unique. First, the board is comprised entirely of “lay” (C. Cornforth, 2002; 2004) persons or members elected by and from the membership. Second, the board represents member-interests democratically or by a “one-member-one-vote” (equal shares of ownership) method (Jussila, Saksa, et al., 2005). And third, the board faces tension in resolving or choosing between the interests of the members they represent and setting strategic direction and policy for the organization and the CEO to implement (C. Cornforth, 2002).
The role of the CEO is important in co-operative governance. C. Cornforth, (2005) and Chait, Holland, et al., (1993) pointed out that the CEO’s role is central to the organization and thus the CEO is the source who is usually most knowledgeable about board matters and, indeed, is often involved in board development.

The mode of engagement or collaboration brings together different forms of knowledge, such as lay (board) and expert (CEO) knowledge to create shared meanings and innovative solutions that replace or revise unsound practices (Benn & Dunphy, 2005). For that reason both the board and CEO must have a means of reviewing and adjusting the line (roles of accountability) between their prerogatives (Lorsch, 1995). By forming common ground, the board and CEO can deal with tension and conflict that naturally occur and focus on collaboration.

Organizational effectiveness in co-operatives was theorized to result from engagement. As Herman & Renz (1997) stated, “One of the most fundamental assertions of the normative literature on the governance and management of nonprofit organizations (NPOs) is that the performance of boards strongly influences the effectiveness of NPOs” (p. 196). The literature on governance and management puts forward internal and external measurements of organizational effectiveness. Internally the board and management must set direction by establishing and meeting organizational goals, and externally they must make sure they are accountable to the members (Chris Cornforth, G&P occasional paper).

**Methods Used**

Both quantitative (questionnaire and company polices) and qualitative (personal interviews) data were collected. Both discriminate (Maxwell, 2005) and theoretical (Glaser & Strauss, 1999) sampling methods were used. Sample data consisted of 89 questionnaires, transcriptions from interviews with 18 co-operative leaders, and 14 co-operative policy statements. Qualitative analysis consisted of three processes: understanding the meaning of the person’s perspective, understanding the context of the person’s actions or inactions, and understanding the process the person executed. As findings emerged, literature was used to inform and clarity emergent themes.

**Results**

The findings resulted in four interrelated areas of governance: systems, processes, boundaries, and relations. Study participants described a system of governance that closely aligned with both agency and stewardship theory, or what Chris Cornforth (2003) terms as the paradox approach to governance. Governance processes were portrayed as common practices such as: board responsibilities, chairman duties, and authorities and accountability. Those partaking in the study explained how boundaries (policies and roles) aided in engagement by providing avenues for communication, exchange, bridging, and inclusion rather than setting markers of demarcation or borders of difference. Finally, the participants depicted relations centered on professionalism. Morrison & Salipante (2004) term this relationship as being “professional partners,” and Rene Bouwen (forthcoming) uses the phrase “relational practices” to describe the joint engagement (interaction and conversation) between different actors.

The outcome of the study was a revised conceptual model where the board and CEO through systems, processes, boundaries, and relations effect joint engagement and good governance. Good governance is suggested to be the practice of joint engagement as boards and CEOs collaborate in policy-making, oversight, and role responsibilities (accountability) in the interests of the organization and its stakeholders.

**References:**


Understanding the Governance of Nonprofit Boards of Directors in Metropolitan Milwaukee
Stephen L. Percy, Ph.D. and Patricia Wyzbinski

Statement of Problem/Issue to be Addressed

The governance functions of the boards of directors of nonprofit organizations are increasingly recognized as critical to the achievement of organizational mission, long-term organizational sustainability, and the life quality of the communities in which the nonprofits operate. As David Pointer and James Orlikoff argue, “The work of boards has significant consequences for the viability of institutions providing critical resources having a massive impact on community health and well-being.” Further, governance (responsibility of the board) should not be confused with management (responsibility of the CEO) if a nonprofit is to be effective. Despite the importance of governance, we are only now beginning to undertake empirical studies of nonprofit governance and the roles and performance of boards of directors. This paper will be an empirical study of nonprofit boards of directors in greater Milwaukee, with specific emphasis placed on how directors understand their own role and how they assess the performance of the board on a variety of indicators.

Literature Addressing the Issue

A growing literature both notes the importance of nonprofit boards and advocates for a variety of approaches and strategies that will enhance nonprofit board governance, including plans to enhance the efficiency of board operations, as well as the strategic planning and mission of boards. Arguments about the importance of boards have most often been made on the basis of reflection and experience, on what experts believe to be the case. To date, the empirical study of nonprofit boards has not been extensive. We have yet to empirically document and understand the composition of boards, how they function, their relationships with organizational executives and staffs, and their impact on mission achievement or overall organizational effectiveness.

Research Methods

This paper will be an empirical study that explores the operation and performance of nonprofit boards of directors operating in the greater Milwaukee area. The empirical base for this study is surveys completed by board directors of nonprofit organizations that were completed as part of broad-based organizational assessments being performed for individual nonprofits by the Nonprofit Management Fund, a collaborative of foundations, corporations and United Ways invested in building the capacity of nonprofit organizations in the greater Milwaukee area.

The organizational assessment process is recommended when: a crisis threatens organizational stability; an organization is undertaking a significant transition to a greater degree of sophistication; there was or will be a change in leadership; or, when the organization is at a self-defined major turning point.

Each organization assessment includes meetings with the executive director; attendance at two board meetings; facilitation of a staff meeting; review of a lengthy list of corporate documents; attendance at appropriate committee meetings; administration of a board self-assessment survey and a staff survey; analysis of all the data collected and information learned; and, production of a written report accompanied

---


3 This area includes the counties of Milwaukee, Ozaukee, Washington and Waukesha, Wisconsin which together have a population of just more that 1.5 million residents; most nonprofits in this study are located within the City of Milwaukee.