The Role of Racial Diversity in Nonprofit Governance: Does a “Representation Mismatch” Influence Stakeholder Orientation?
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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 role conflicts and competing demands of both satisfying funding agencies and meeting 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.

Review of Relevant Literature

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 education dimensions substantially increases. We do not find fault with Brown’s logic, only suggest that it is incomplete; it is the extent to which boards’ racial composition mirrors agency clientele that provides a better explanatory measure of how boards orient themselves to external activities. In the proposed paper, we also draw upon theory and research related to representative bureaucracy to inform our analysis.

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 donor-centric 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 client-centered orientation.

Method

We test these hypotheses using survey data from a random sample of nonprofit organizations in the state of Michigan. A systematic random sampling method was used to draw the names of 197 nonprofit 501(c)3 organizations from the Michigan Attorney General’s database of licensed charities. The method for administering the survey conformed to that outlined by the Total Design Method for Survey Research (Dillman, 2000). Surveys were addressed the Executive Director and administered by mail in three waves during the summer of 2004. Responses were received from a total of 119 organizations, constituting a total response rate 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.

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 relate to contact with funders. We test a model that estimates the influence of various factors on stakeholder orientation, positing that orientation it is a function of resource dependence factors, board composition, managerial characteristics, and environmental context in which the organization is located.

Tentative Findings
While we find preliminary support for our hypothesis that a representation mismatch influences stakeholder orientation in the predicted directions, we also find that other factors, such as revenue source and some aspects of the organizational environment are also statistically significant in influencing stakeholder orientation.

References
