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Prizing the Role of the Board of a non-profit organisation. A Managerial Approach

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Abstract: Non-profit organisations have started a trend of implementing managerial tools from the business sector to increase their performance and impact. This research investigates a relationship between how the members of a non-profit organisation price the role of the board and the performance of the board. In that particular international non-profit organisation the role of the board is financed from dues paid by the front-line volunteers. This article presents how a managerial perspective was implemented to measure the members' willingness to pay and the factors that influence the current contributions.

Findings indicate gap between the actual pay rate and the willingness to pay and its correlation with various factors regarding the performance of the board and how it is communicated to the front-line volunteers. Furthermore, the findings suggest that the gap can be closed by improving the performance and efficiency of internal communication, what in turn sheds a new light on how internal communication may increase valuation of the board in non-profit organizations.

Keywords: *non-profit, NGO, management, board performance, willingness to pay, internal communication*

Introduction

In spite of playing “an important and growing role within the global economy” (Ryan, et al., 2014, p.383) and employing up to ten per cent of the total workforce (Salmon et al., 2013, p.2), non-profit organizations (NPOs) are still a research area yet to be discovered; specifically in terms of leadership and management. As lacking conventional financial ‘bottom line’ (Drucker, 1990, pp.81-86), NPOs reach for those managerial instruments and practices that were proven successful for the business sector (cf. Dent, 2014; Ryan, et al., 2014), adapting and adopting them for their own specifics and purposes.

The Context for this Research

In 2015, regional representatives of an international NPO gathered to evaluate its most current and urgent issues. The two following areas were evaluated by the participants of that General Assembly (GA):

1) Communication

This area was identified as one of the principal challenges. It was argued that the lack of information flow on each level of the Organisation (groups, regions and the Board) generates major issues relating to the performance of the entire Organisation and weakens the relationship between its stakeholders.

Sharing of Goods (Economy)

While each group independently covers its own operational costs, the Board and its activities are financed from the membership donations. Such a contribution (suggested \$10 per year), if paid by all of the Organisation’s members, would be sufficient to fully cover the entire costs of the Board’s role.

Information Gap and Research Question

The claim that very little is required to cover all the expenses of the Board, and yet it is not provided, triggered necessity to find the reason for such a state of matters.

After numerous informal discussions and interviews, as well as a thorough revision of the Organisation’s documents, it can be reasoned that this issue has a deeper than solely psychological or motivational background; thus, the problem is of an organizational nature.

The main research question was constructed as follows:

How do front line volunteers price the role of the Board in a non-profit organization?

In order to sequence the research, three sub-questions were established:

- 1) *How do front-line volunteers perceive the role of the Board in a non-profit organization?*
- 2) *What is the appropriate amount to cover costs of the Board?*
- 3) *How does the Board communicate with front-line volunteers?*

Theoretical Framework

This study covers the research area of stakeholders’ relationship within a NPO, with a focus on the Board’s performance and how it is perceived and priced by the members of that NPO. Therefore, not only does it require such a theoretical framework that would provide guidance in terms of managerial aspects of this research, but also facilitate the non-profit character of the organisation.

To achieve that, an interdisciplinary perspective has been acquired. The most influential perspectives in terms of this project are:

Management and leadership. The research problem is directly linked to governance and management of NPO;

Performance management. Methods and instruments from performance management provide an insight on how effectively and efficiently the NPO is governed;

Financial management and economics. This perspective supports an analysis of quantitative data to provide an answer to the research question;

Other academic fields that in more indirect manner influence this research.

In order to reflect this multidimensional perspective, the theoretical framework consists of several contemporary concepts and theories. It is constructed upon the key economic premise, expressed in the Rational Expectations Theory. Its limitations, relating to various biases and unique character of NPOs, have been acknowledged. Thus, the framework is constructed upon the supportive theories and concepts, applicable for this particular research area (Table 1).

Table 1: Theoretical Framework

<i>How do front line volunteers price the role of the Board in non-profit organization?</i>	Key literature	<i>How do front-line volunteers perceive the role of the Board in a non-profit organization?</i>	<i>What is the appropriate amount to cover costs of the Board?</i>	<i>How does the Board communicate with front-line volunteers?</i>
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RATIONAL EXPECTATIONS THEORY	COST-BENEFIT ANALYSIS	Brent (2006) Fuguitt and Wilcox (1999)	Assessment of the Board and its value	Willingness-to-pay	Internal communication Accountability
	RESOURCE BASED THEORY	Grant (1991) Barney and Hesterly (2006)	The Board, its role and function as a resource	Effective and efficient use of the resource	
<i>Its limitations in terms of bias and emotional approach</i>	STEWARDSHIP THEORY	Hyndman and McDonnell (2009) Van Puyvelde, et al. (2012)	Principal – Steward relationship	Intangible aspects of the Board's performance	Trust and collaboration development

(Source: own research)

Finally, the front-line volunteers' willingness to pay (WTP) has been assumed as a point of reference for pricing the role of the Board. This assumption is directly linked to the concept of demand, defined as "the quantity [or quality of a service] a consumer or consumers are willing to purchase at a given price level" (Kingma, 2001, p.30).

Methodology

Survey for this research was conducted on a population of an international organization. The evidence from questionnaires was gathered from members of over 50 international groups. The total of returned questionnaires was 73, what constitutes 7% of the total population of members in the Organisation.

Data Analysis

The Board as a Resource

The theoretical framework for this research provides background for understanding the Board as a vital intangible organizational resource with capability features. The Stewardship Theory introduces a basis for understanding the reciprocal relationship between the front-line volunteers and the Board, and altogether with the Rational Expectations Theory, creates a setting for analysing that relationship from the mission imperative perspective, which is essential for this type of organization.

The data analysis uncovers that there is a correlation between the scores for the importance of a given factor of the Board to the respondents and the scores for their satisfaction with its presence in the Organisation (Table 2).

Table 2: Importance-Satisfaction Correlation

FACTORS REGARDING CURRENT STATE		Q1: Is it important for you, as a member of the Organisation?	Q2: Are you satisfied, regarding the presence of this factor in the Organisation?
		Pearson's r	
1	The mission of the Organisation is reflected in its projects and activities		0.479347
2	The mission statement functions as a guide to decisions of the Board		0.277496
3	All the members of the Organisation can participate in the planning process		0.582642
4	Financial goals for the current year are developed and approved by the Board		0.665183
5	There is a realistic plan/strategy for matching human and		0.631926

	financial resources with objectives	
6	Objectives of the Board are communicated to all members of the Organisation	0.390924
7	The Board prepares an annual financial report and presents it to the Organisation	0.500808
8	The Board has an effective system for informing the Organisation about programs and resources	0.193749
9	The Board has a process for reviewing and responding to ideas, suggestions, and perceptions from groups	0.547052
10	The Board regularly evaluates the cost effectiveness of its activities	0.488403

(Source: own research)

For those who have responded to this survey, higher importance of the given factor was correlated with higher satisfaction, regarding the presence of that item in the Organisation's environment. The largest correlation with $r=0.665183$ relates to factor 4, while the smallest correlation occurs for the factor 8, with $r=0.193749$. Thus, it may be reasoned that the respondents from the sample possess a vision of how the Organisation and the Board ought to function, and the more visible it is present the higher value they are eager to assign to it.

Benefit Analysis of the Role of the Board

Key Roles and Dimensions of the Board

In order to analyse and measure how the Board is perceived as a resource, the theoretical framework provides a detailed description of the four roles of the Board (cf.: Cumberland et al., 2015) and six dimensions of Board competency (Holland and Jackson, 1998, pp.122-123) which were predominantly, though not exclusively, referred to in the following analysis.

As a resource for the Organisation, the Board conducts various activities that are aimed at effective and efficient fulfilment of the Board's role. *Memoria Consejo General 2011-2015*

Each of the above activities corresponds with at least one of the roles of the Board and represents at least one of the dimensions of the Board's competency (Holland and Jackson, 1998, pp.122-123). The examples are provided in Table 3.

Table 3: Key Roles and Dimensions of the Board's Activities

Exemplary Activity	Key Role	Key Dimension
The Board's meetings	Monitoring	Strategic, Interpersonal
Division of the Chile Region	Monitoring,	Strategic, Analytical
Meetings and videoconferences with groups and Regions	Partnering, Supporting, and Monitoring	Educational
Meetings with representatives of other organizations, and participation in the events organized by other organizations	Representing	Political, Strategic
Meetings with Regional Councils	Monitoring, Supporting	Contextual, Strategic
Responses to queries from Regions and groups	Supporting, Partnering	Contextual, Educational, Analytical
Publication of official documents and articles	Supporting	Educational

(Source: 1) own work; 2) Lay Claretian Movement, 2000)

Congruence with the Statutory Functions

Another indicator for an evaluation of the benefits derived from the Board's performance is a degree to which each activity of the Board corresponds with its statutory function. Table 4 contrasts the Board's statutory function with examples of its activities.

Table 4: Statutory Functions and Congruent Activities of the Board

Statutory Function	Chosen example of a congruent activity in 2011 – mid-2015
To represent the Organisation.	<i>Presentation of the Organisation to university students in Poland, 2015</i>
To decide upon the establishment of Regions.	<i>Division of the Argentina-Uruguay Region, 2013</i>
To promote communication among the regions and groups of the Organisation.	<i>Appointment of a new a communications delegate</i>
To provide assistance in the formation of the members.	<i>Preparation of workshop materials for presenting the Organisation Establishment of a working group for “clarification and deepening” of the mission</i>
To administer the funds of the Organisation and to decide upon the dues of the groups.	<i>A report prepared for the IX General Assembly, 2015</i>
To admit Groups to the Organisation and exclude them when they are not included within any Region.	<i>Acceptance of the Polish group into the Organisation</i>
To interpret the rules of the Statutes of the Organisation	<i>Answer to an inquiry regarding mixed communities</i>

(Source: 1) own work; 2) *Lay Claretian Movement, 2000*)

Cost Analysis of the Role of the Board

The major cost drivers for the Board are international travels and meetings, representing up to 90% of total expenses per year. One of the reasons is that the Board members are selected regardless their citizenship, hence, in 2011-2014 the Board members lived in Spain, Colombia, and Chile.

It can be observed that the lifecycle of the Organisation is a four-year period which starts with the GA. The costs it generates reached €39,600 Euro in 2011. For that four-year period, the average cost of the Board is €18,700. For comparison, the average cost of the Board for 2011-2014 (excluding the GA) is €8,917.

As far as income to cover the expenses is concerned, there are three main sources of financing (Table 2).

Table 5: Average Income to the Board

Budget Item	Average 2011-2014	
Contributions from the groups	€ 11 265.48	45%
Extraordinary Contributions	€ 3 028.62	11%
Publications and publicity	€ 17.50	0%
Bank Interest	€ 124.15	0%
Contribution from outside (financial)	€ 7 182.50	29%
Contribution from outside (material)	€ 1 250.00	5%
Paid during the GA	€ 3 678.03	10%
Total Income	€ 26 546.28	

(Source: *Lay Claretian Movement, 2000*)

Front-line Volunteers Willingness to Pay

Methodology

The measurement methodology of WTP is a series of questions, acquired from Contingent Valuation Method (Fuguitt and Wilcox, 1999, p.298) and modified to fit the purpose of this study. The questionnaire questions, regarding this issue are:

Q9a: What monthly donation would you consider as *the most appropriate* to meet all the needs of the Board?

Q9b: What monthly donation would you consider as *maximum* of what could afford to pay?

Q9c: What monthly donation would you consider *too high* that you could not afford it?

Q9d: What monthly donation would you consider *too low* that you would worry for the financial state of the Board and the quality of their activities?

The data analysis process consisted of the following steps:

1) Currency conversion to Euro, for the results to concur with the unified currency chosen for this research data analysis;

Assumption 1: The reference exchange rate is an average monthly exchange rate for April 2016, since this is the month when most of the sample responses were collected.

2) Calculation of the mean (\bar{x}), median (*Md*), and standard deviation (*s*) for each sub-sample;

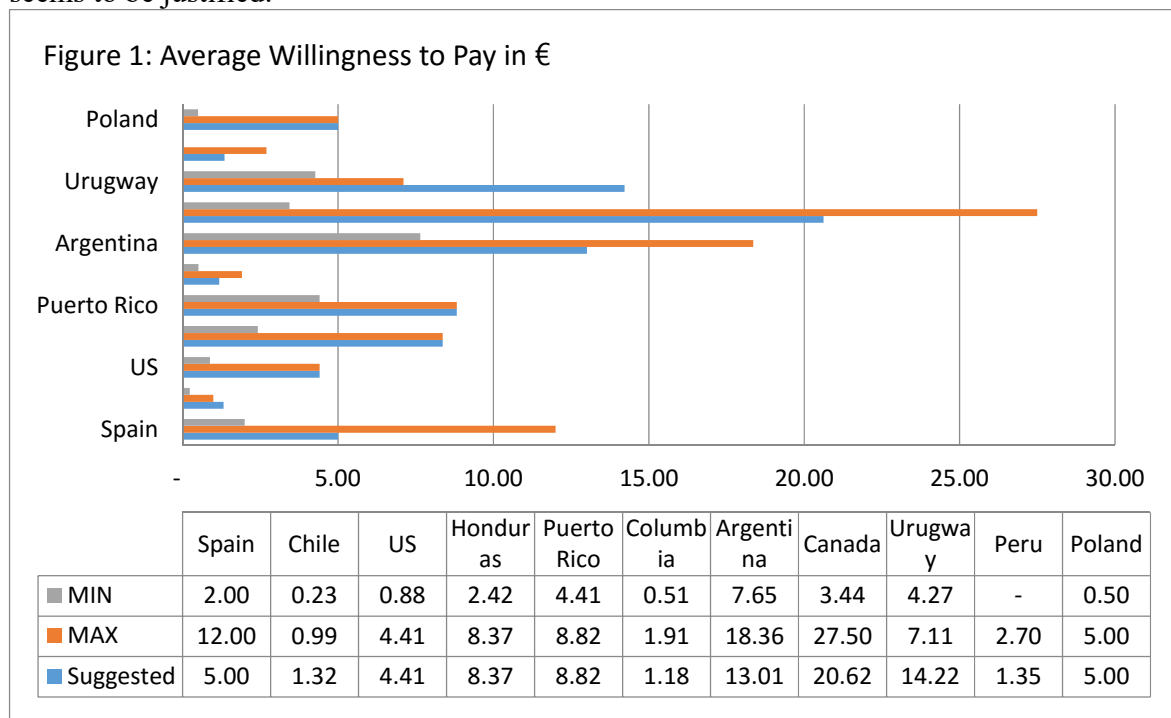
Calculation Pearson's r correlation for chosen variables

Benchmarking

Assumption 2: The reference oil price is an average monthly OPEC Reference Basket price for April 2016.

Data Analysis

As seen in Figure 1, perception of the minimal and maximal price for the role of the Board varies greatly. Hence, the choice of median, rather than mean for benchmarking seems to be justified.



Source: own research)

The research shows how the cost structure of the Board represents expenses incurred in concordance with its function. It helps to establish how cost significant organization of the GA is; it generates 83% of total costs in the year when it is held.

Furthermore, it can be observed that the average current member contribution (CMC) is €11.79 per year, between 2011 and 2014, while the required member contribution (RMC) needed to facilitate the financial aims of the Board is €19.58 yearly.

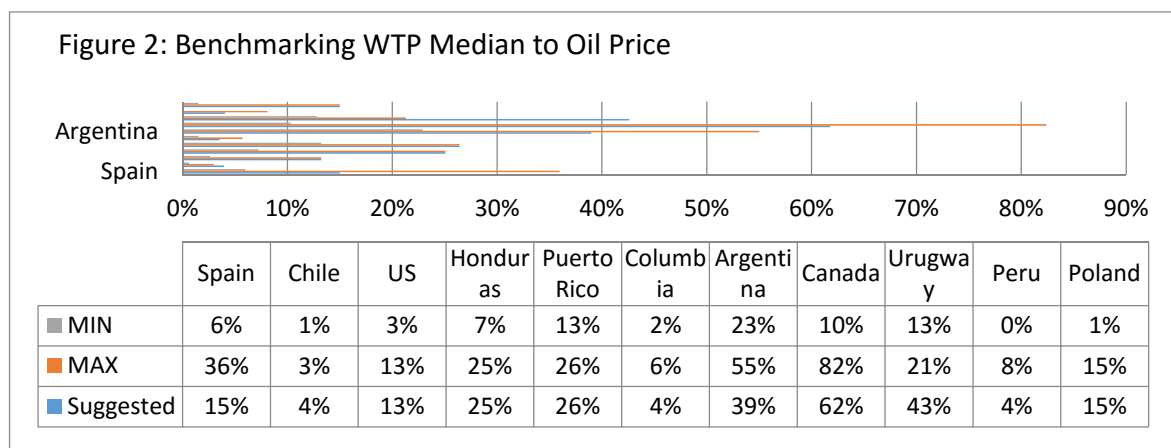
The analysis of the benefits of the Board revealed that from the mission imperative perspective, the Board successfully facilitates various activities that are crucial for the entire Organisation.

For a further understanding of the motivations that support the front-line volunteers' WTP, various correlations were calculated. In particular, the correlation between the respondents' perceived costs of the Board and the suggested donation price is particularly valuable for this research. For those who responded to this survey, the higher scores for cost awareness correlate with lower scores of the suggested price. Hence, it may be inferred that those respondents who are convinced in their opinion that the Board is sufficiently financed, express smaller willingness to pay, notwithstanding the small effect of this correlation.

Finally, the analysis provided a reasonable benchmark for setting the price value on the Board's role. Essentially, it may be reasoned that the most shared and accepted WTP value for the role of the Board equals an equivalent of €4.34 per month, i.e. €52.07 yearly, what largely exceeds the RMC. It seems plausible to be accepted by all of the surveyed groups, notwithstanding the Argentina's higher minimal acceptance threshold. This amount of €52.07 per a member per year can fully cover the total cost of the Board.

Benchmarking

In order to conduct benchmarking, the WTP medians for each country, for questions Q9a, Q9b, and Q9c were contrasted with the benchmark indicator (Figure 2). An overall collective median – for the data provided in Q9a, Q9b, and Q9d, respectively for each country – was calculated as 13% of the OPEC Reference Basket oil price (with $\bar{x} = 19\%$ and $s = 0.19$). It indicates that the most plausible average price for the Board's role that an average individual respondent is willing to pay (WTP) is €52.07 per year.



(Source: own research)

Final Conclusions

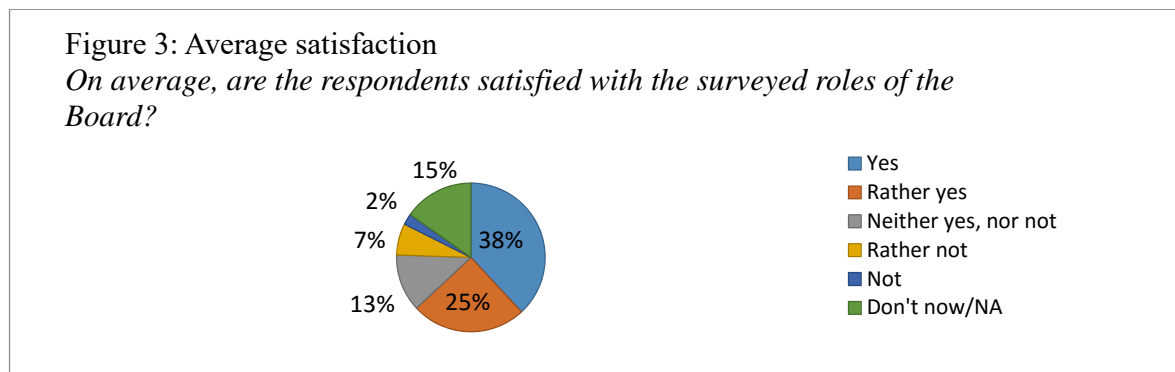
The objective of this study was to answer the research question from a managerial perspective. It required an in-depth analysis of the questionnaires and documents. In order to do so, the comprehensive and coherent theoretical framework was built out of interdisciplinary concepts and theories, facilitating various aspects of the research.

The scope of this research was influenced by several factors, i.e. data gathered from the population, size of the sample, effectiveness of communication with the members of the surveyed organization. It also was determined by a requirement to preserve clarity and consistency of both the research paper and presentation of findings.

The following final conclusions have been reached, respectively for each research sub-question:

1) *How do front-line volunteers perceive the role of the Board in a non-profit organisation?*

The overall analysis of the Front-line Volunteer Questionnaire showed that the role of the Board, including its factors, functions, and activities is perceived by a significant majority of the respondents as either important or rather important (total of 85%). On average, the majority (63%) of them are either satisfied or rather satisfied with the performance of the Board (Figure 3).



(Source: own research)

Simultaneously, an observation of another category may bring additional insight. The average rate of *Don't know* answers to the questions regarding satisfaction with the Board is equal 15%, even though the majority of the respondents acknowledges the importance of the Board's role for the Organisation. This observation leads to a conclusion that those are the respondents who are insufficiently informed to evaluate the role of the Board.

What is the appropriate amount to cover costs of the Board?

The Cost-Benefit Analysis provided a quantitative answer on what costs of the Board are and what the price is which the front-line volunteers are willing to donate to sustain and develop this resource.

As far as the costs of the Board are concerned, it was observed that rather than analysing them on a yearly basis, the specific lifecycle of the Organisation needs to be considered, since the majority of the costs can be assigned to the GA, summoned on four-year basis.

Another category of costs regards the international and intercontinental diversity of the Board, expressed in a necessity to travel long distances to participate in the Board's meetings. However, the number of meetings and the fact that they are closely related with strategic decisions and Board's statutory activities, proves them vital for the Organisation and mission related.

A consequent careful evaluation of the Board's statutory functions and its multiple activities leads to a conclusion that it fulfils its monitoring, supporting, partnering, and representing roles. Thus, it may be reasoned that, after an analysis of all of the tangible and intangible benefits, implicit costs for the Board members and benefits for the

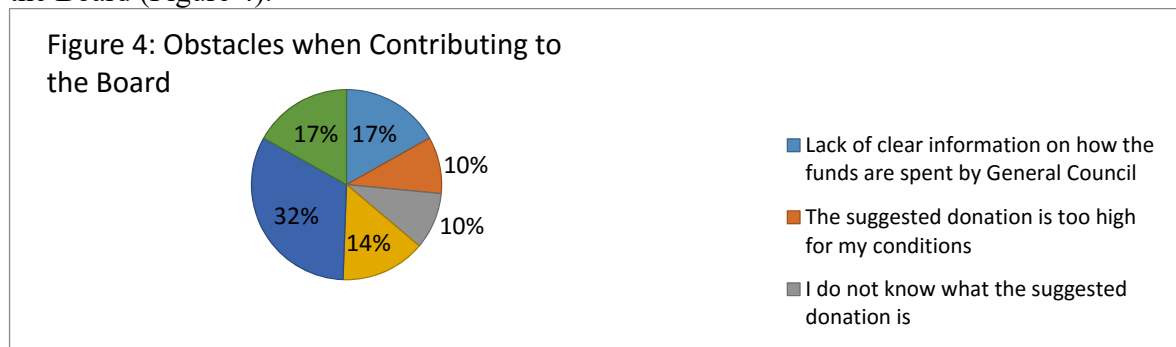
Organisation, their individual and collective performance, as well as the total costs and alternative costs both for the Organisation and the Board, the net benefit is positive. Last but not least, there is a negative correlation between the respondent's perception of the costs and the amount they are willing to pay to cover them. The respondents are not informed what the costs of the Board are. More than half of the respondents consider receiving financial or strategic information as important.

How does the Board communicate with front-line volunteers?

A detailed data analysis of internal communication (IC) of the Organisation seems to be crucial for understanding disproportion between the CMC, RMC and WTP. IC, as an integral part of the Organization, not only a means to transmit communicates, but also to build mutual trust, commitment, and enable bilateral control, what translates to better mutual support.

The conclusions based on the literature and on the reviewed Organisation's dynamics indicate that the principal-steward relationship needs to be fostered, and the front-line volunteers need to be consolidated around the Board in order for their trust to be cultivated and commitment built (cf. Gnyszka, 2015, pp.29-20) to comply with the mission.

Due to the information gap, though, the front-line volunteers who participated in the research expressed various concerns. 19% of the sample perceives flaws in IC and a lack of clear information on how the funds are spent by Board as obstacles to finding its activities. Furthermore, the respondents indicated various obstacles related to donating the Board (Figure 4).



(Source: Own research)

Recommendations for Further Research

Due to the uniqueness of the approach that was assumed in this research, a need for further discussions is required. Focus on the NPO members as internal donors, and the Board evaluation from the perspective of financing its activities by the front-line volunteers uncovers numerous possibilities to approach this research field.

It is recommended that this topic is explored by the researchers from various disciplines, as some perspectives needed to be abandoned.

Alongside the horizontal multidisciplinary approach, a more in-depth one is required. The results need to be discussed and cross confronted with other findings.

Summarizing, the practicality of this research, its strong theoretical background, as well as unique and current approach contribute to the governance of NPOs and performance of their Boards and open new opportunities for discussions in the field of organizational studies.

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