“Strategic Decision Making within Nonprofit Boards”

Geoff Kistruck
Tima Bansal
Richard Ivey School of Business

What have we been up to?

- Writing!
  - “Aurora Cultural Centre”
  - “A test of moderated mediation between board size and financial performance in the nonprofit sector”
  - “Not too big and not too small: Identifying the ‘sweet spot’ for nonprofit boards”
  - “Substitution effects of formal and informal corporate governance mechanisms in the nonprofit sector”
  - “Why the Social Economy Matters” chapter

Social Economy Symposium, 2008
“Aurora Cultural Centre”

- Teaching Case Study for Ivey Publishing
- Helps students understand the uniqueness of strategic decision making by nonprofit boards
  - Trade-offs between “money” and “mission”
  - Traditional management tools require adjustment
  - Stakeholder demands can be much more diverse and difficult to reconcile than with for-profit organizations
- (published in 2006 ASAC best case proceedings)

Social Economy Symposium, 2008
“A test of moderated mediation between board size and financial performance in the nonprofit sector”

- Fancy Model…

- Fancy Technique…
  - Cross sectional design of Form T3010 data on 167 nonprofit organizations (2001) using a recently developed moderated mediation technique

- Fancy Pays off! (2006 ASAC Best Paper Award)

Social Economy Symposium, 2008
“A test of moderated mediation between board size and financial performance in the nonprofit sector”

- Caused more questions than answers…
  - While most relationships received support, donations did not seem to positively impact performance
  - Donations did not appear to mediate the relationship between board size and financial performance
  - Hmmm…what’s going on here?
“Not too big and not too small: Identifying the ‘sweet spot’ for nonprofit boards”

- An even fancier model…
- An even fancier technique…
  - Combination of SEM with Latent Growth Curve Modeling
- Fancy pays off again! (2007 AOM Best Student Paper Award and published in Best Paper Proceedings)

*Social Economy Symposium, 2008*
“Not too big and not too small: Identifying the ‘sweet spot’ for nonprofit boards”

- Much better understanding of the phenomenon…
  - Direct effect is inverse curvilinear but downward turn occurs at very small sizes (2-3 board members)
  - Mediation occurs differently than thought…

- As a result, increasing board members can create a negative spiral of bad financial performance

_Social Economy Symposium, 2008_
“Substitution effects of formal and informal governance mechanisms in the nonprofit sector”

- Nonprofit sector has traditionally relied more upon informal than formal mechanisms (trust, reputation, norms)
- Project driven by high profile scandals and call for more formal regulation of nonprofit organizations (monitoring, variable incentives, fines/punishments)
- Hypothesized that:
  - Informal mechanisms are more effective
  - Informal mechanisms are more efficient
  - Formal mechanisms erode informal and create negative spiral effect
- Paper presented at AOM 2006

Social Economy Symposium, 2008
What’s next?

- Publication in second round review at leading management journal (fingers crossed)
- Submit chapter to “Why Social Economy Matters” edited book (congratulations to Laurie and Jack on this!)