
“Strategic Decision Making within Nonprofit Boards”

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**Third Southern Ontario Social Economy Node
Symposium (2008)**

What have we been up to?

- Writing!

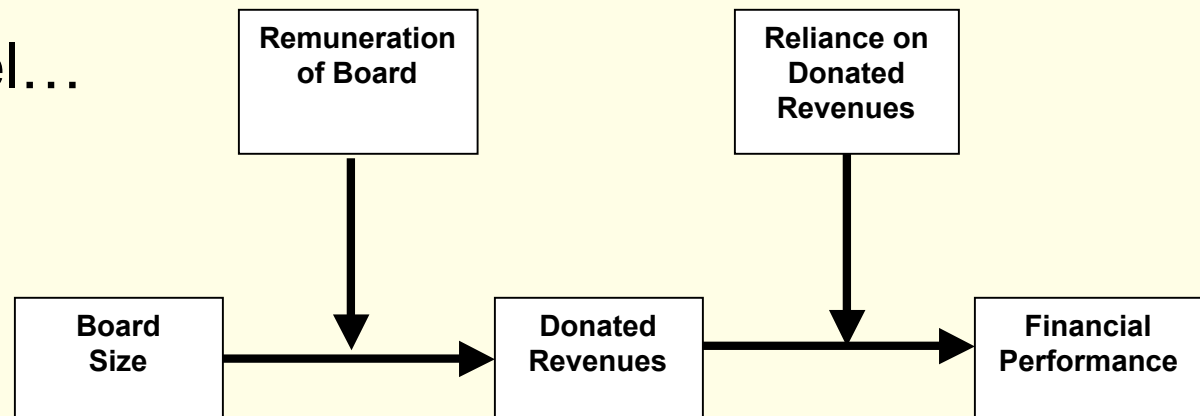
- “Aurora Cultural Centre”
- “A test of moderated mediation between board size and financial performance in the nonprofit sector”
- “Not too big and not too small: Identifying the ‘sweet spot’ for nonprofit boards”
- “Substitution effects of formal and informal corporate governance mechanisms in the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

“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)

“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

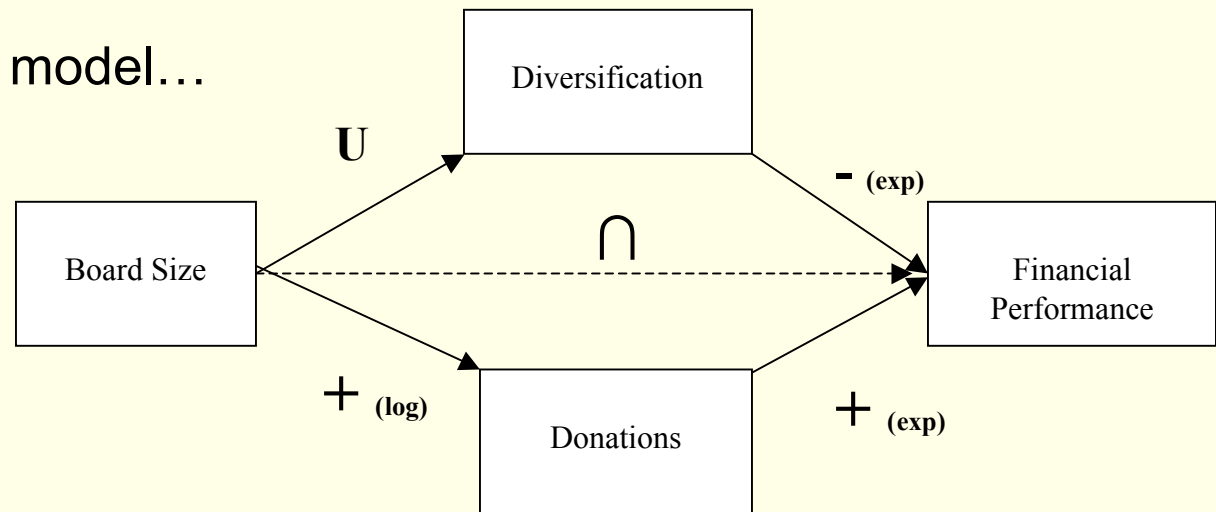
■ Fancy Pays off! (2006 ASAC Best Paper Award)

“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
 - Hmmmm.....what's going on here?

“Not too big and not too small: Identifying the ‘sweet spot’ for nonprofit boards”

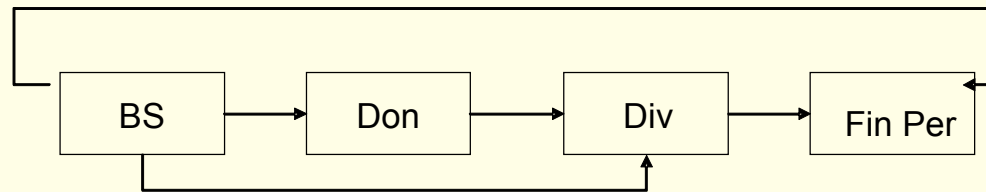
- An even fancier model...



- 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)

“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

“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

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!)