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The Tangled Web: How Nonprofit Board Members Experience Organizational Crisis

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THE TANGLED WEB:
HOW NONPROFIT BOARD MEMBERS EXPERIENCE ORGANIZATIONAL CRISIS

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The first time I talked with Laurien Alexandre she used the term career-culminating degree in describing the Antioch Ph.D. in Leadership and Change Program and I was curious. I was not entirely convinced but thought it might be interesting. Little did I know. Over the years I have known so many who went ABD and I thought I understood why. I can now fully appreciate how that happens as I have frequently questioned my own sanity over the last year. While it may have made more sense to do this twenty years ago, the opportunity to apply a wealth of experiences, both professional and personal, to the in-depth study of organizations, leadership and change has been an incredible gift, at least most days!

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Abstract

The purpose of this grounded theory study was to develop an understanding of what board members experience during a time of organizational crisis. Major corporate and nonprofit failures of previously successful organizations in recent years have raised questions and led to speculation about the role of boards of directors through the crises. In this study twenty board members of nonprofit organizations who had experienced an organizational crisis during their board service were interviewed. Participants were asked to share their perceptions and explore how they identified and made meaning of the events and board processes that went on as the crisis became apparent and progressed. The overall research design was grounded theory guided by Schatzman's and Charmaz' methodological contributions. A dimensional analysis was employed to create explanatory matrices that focused on theory development. From dimensional analysis the core dimension, the *Tangled Web*, and primary dimensions *Recognizing, Responding*, and *Stepping Up* emerged. The model of a *Tangled Web* depicts the processes that obstruct a board's ability to recognize and respond to signs of crisis. Complexity theory, governance, crisis and turnaround, and group process all contribute to the understanding of the research question. The electronic version of this dissertation is available through the OhioLink ETD Center, www.ohiolink.edu/etd

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Chapter I: Introduction

The numerous failures of businesses and nonprofit organizations in recent years piqued my curiosity about the role of the board of directors during periods of organizational distress. My interest in studying the role of boards of directors facing challenges emerged as I watched the Enron case unfold. As an accountant and professor teaching Intermediate Accounting—the course sequence that deals with accounting theory and financial reporting—I was amazed at how quickly the financial condition of this major corporation descended into bankruptcy. There were supposed to be rules in place that made it impossible for a huge successful company to collapse in a matter of months. As a public accountant I was appalled at Arthur Andersen's complicity in the matter and the demise of that entire professional services firm, one always considered above reproach, because of the ethical lapses of a small group of accountants in the Houston office. My mind kept coming back to the question of where was the board. If individuals were appointed to boards because of their expertise and leadership talents as I always assumed, why had they not recognized that there was a problem before the company was on the brink of collapse.

In the years since Enron there have been numerous failures of large corporations despite U.S. government intervention with the Sarbanes-Oxley Act of 2002. The goal of that legislation was to prevent a recurrence, yet huge collapses in the banking and financial services sectors followed a few years later. The problem has not been limited to the U.S. nor has it been limited to the for-profit world. Nonprofit organizations have also been scrutinized for indications of misuse of governmental funds and private donations. Recent issues at Pennsylvania State University and the Susan B. Komen Foundation again brought the boards of those organizations into the limelight. To those outside it appeared that the boards stood by and watched. It has been difficult to uncover the debates, the concerns, and the decisions at the board level because as a matter of practice, boards operate behind closed doors. As a result, much of the available research on board governance has been based on data gathered from outside the organization. The role of governance and of boards of directors in organizational crisis and failure has been poorly understood and limited at best. From a distance it sometimes appears that boards make decisions that are less than rational given the available data, decisions that ultimately harm the organization the board is charged with protecting.

The goal of this research was to develop some understanding of what members of boards of directors, generally accomplished, intelligent individuals, experience during times of organizational crisis. Looking through the eyes of board members who had faced an organizational crisis has contributed to the development of a theory that provides some explanation of how a group of individuals chosen for their knowledge and skills missed the signals of an impending problem. This study asks the question how nonprofit board members experience an organizational crisis. It fills a gap in the literature by seeking board member perspectives of what went on in the boardroom prior to and during an organizational crisis. The insight gained has relevance for those who serve as nonprofit board members and for those who train or facilitate board activities. Due to limited access to corporate board members a decision was made to focus the study on the boards of large nonprofit organizations with the assumption that members would be fairly sophisticated about business practices as well as the needs of the organization.

Position of the Researcher

The apparent sudden failure of organizations that have a history of success fascinates me. Having served as a chief financial officer at a small college I am acutely aware of the financial nature of impending crisis. I began the design of this study trying to determine the financial indicators that would suggest crisis, but reflecting on my own board experience I also knew that "people" rather than financial issues could have a critical impact on an organization. I recalled voicing a concern to the board chair in a specific situation and then backing down when I was assured that the problem was manageable. Later when those issues of concern escalated and the organization faced a full-blown crisis I was bothered by my own willingness to accept the board chair's dismissal and wondered why I had not been more insistent that the board address the questions. Thus I must confess that I have played a role in dysfunctional board behaviors. While there was some financial impact, it was minimal compared to the threat to the integrity of the organization. I knew that it was critical to look beyond financial measures to define a crisis.

I have been involved in strategic planning efforts over a significant part of my career. I coordinated major planning processes for the college where I work and have facilitated strategic planning processes with a number of nonprofit and small corporate boards as a consultant. As a member of the executive staff of the college I attended all full board meetings and a majority of committee meetings for a number of years. I have observed boards make inconsistent decisions, and sometimes those decisions appeared less than rational to me. I have been taken aback by the response of some board members when anyone questioned assumptions. In every case, the individual members of these boards have been competent people who cared, often passionately, about the organization, yet the board still took actions that were harmful.

Because of the nature of my role as an outsider/nonmember I never had the opportunity to ask why. I did engage in informal conversations with some of my board colleagues after the crisis in our organization, but it was not until I conducted practice interviews as a preliminary test of this study that I had the chance to actually question board members who faced a crisis about what they experienced during that period. I was shocked when in all three cases, involving different kinds of nonprofit organizations from very different regions and communities, the interviewees used the exact same phrase, "I knew better," that I sensed that in board deliberations more was going on than meets the eye.

To situate the study I begin with discussion of the legal and theoretical bases for governance for an understanding of board roles in crisis situations.

Legal Basis of Governance

> Although few practices are more ancient than communities delegating authority to small groups of elders, deacons, proprietors, selectmen, counselors, directors, or trustees, the formal responsibilities and informal expectations defining who they are, what they do, and how they do it have varied from time to time and from place to place. (Hall, 2003, p. 3)

Trustee-like relationships were defined in Roman law and passed down to the U.S. and other common law countries through British custom and practice (D. H. Smith, 1995). Colonial organizations like the Massachusetts Bay Company and Harvard, as well as churches and religious congregations established boards to oversee the organizations and ensure they met the specific purpose for which they were established (Hall, 2003; D. H. Smith, 1995). Even in colonial times, however, controversy over governing boards and legal control of organizations was not uncommon (Hall, 2003).

Legally whether dealing in the profit or nonprofit world, the board of directors or trustees is responsible for everything related to the organization and how it operates. In the corporate for-profit environment, directors represent the interests of shareholders. In nonprofit organizations directors or trustees represent the interests of community, stakeholders, donors, and society. In both cases the board has the ultimate authority in all that pertains to the organization. Boards hire and delegate responsibility for running the organization to an executive. Boards authorize policy; select, determine compensation, and remove the executive;

and make major financial decisions (R. L. Miller & Jentz, 2011). Board members serve as fiduciaries, and as such are bound by the legal duties of loyalty, care, and obedience.

The duty of loyalty obligates board members to act in the best interest of the organization (Seay, 2004). The duty of care requires due diligence of the board when acting on behalf of the organization (Hopkins, 2009; R. L. Miller & Jentz, 2011). If the duties of loyalty and care are met, the business judgment rule protects directors/trustees and officers from liability for decisions made in good faith (Jennings, 2004; R. L. Miller & Jentz, 2011). As long as directors take the care necessary to become adequately informed about the subject matter and have a rational basis for the decision at the time it is made, without the benefit of hindsight, the courts will not hold them responsible for honest mistakes or bad decisions (Cheeseman, 2001; R. L. Miller & Jentz, 2011). Given the failures of recent years and the lack of sanctions or consequences for directors and officers, the business judgment rule seems to provide significant shelter for board members. It does, however, raise questions about whether board members have access to adequate and accurate information.

The third legal duty, the duty of obedience, has traditionally been viewed as only applicable to nonprofit organizations, but there is also support for its relevance to all as the foundation on which the duties of loyalty and care rest (Atkinson, 2008). The duty of obedience requires the board ensure that the organization complies with all relevant regulations and laws. In nonprofit institutions the duty of obedience requires faithfulness to mission as a means of insuring the public that donated resources are used appropriately (Hopkins, 2009). While the terminology and language of these legal duties is specific to the U.S. and other common law countries, comparable requirements serve as a legal basis for governance throughout the world.

Governance Theory and the Role of the Board

In the traditional view of organizational governance a board of directors/trustees oversees the management to ensure that the managers are operating in the best interest of the owners or community. This arrangement is based on agency theory, the most commonly cited theoretical basis for governance (Fama & Jensen, 1983; Jensen & Meckling, 1976; R. L. Miller & Jentz, 2011; Nordberg, 2008). The theory charges the board with hiring a chief executive, delegating the responsibility for running the organization to that individual, holding him/her accountable for the performance of the organization, and if necessary, firing the chief executive when expectations are not met. In contrast to agency theory, which assumes agents will act in their own self-interest, stewardship theory is based on executive as steward of the organization (Davis, Schoorman, & Donaldson, 1997; Muth & Donaldson, 1998; Nordberg, 2008). This theory suggests that the executive is a steward who is motivated to maximize organizational performance thereby making his/her goals the same as those of the principals.

Other often cited theoretical bases for governance particularly in nonprofit organizations include resource dependency and institutional theories. Resource dependency suggests that individuals are appointed to boards because they can offer access to some resource the organization requires—boundary spanning activities—but might not otherwise be able to secure (W. A. Brown & Guo, 2010; Fama & Jensen, 1983; J. L. Miller, 2003; Nordberg, 2008; Pfeffer & Salancik, 1978). Institutional theory addresses the political and ceremonial aspects that define and influence organizations (DiMaggio & Powell, 1983; Guo, 2007) and suggests that organizations attempt to incorporate the same procedures and policies as other respected organizations (Fama & Jensen, 1983; J. L. Miller, 2003). The focus on best practices driving the policies and procedures under which boards operate derives from this theoretical perspective.

There are other proposed theoretical bases for institutional governance addressed in the review of the literature, but none adequately define all board roles or aspects of governance. Given the dominance of agency theory in governance research and its emphasis on the monitoring activities of a board, the string of failures over the last decade raises serious questions about the impact of research results on practice. Calls for accountability are numerous, but there seems to be something inherent in the system that makes monitoring difficult or impossible.

Governance in Troubled Organizations

Corporate governance research leans heavily on quantitative, positivist approaches and tends to focus on the usual suspects of board independence and chief executive duality when looking at the role of governance in organizational failure. There are studies that attempt to link those factors to profitability and other financial measures of organizational effectiveness, but they lack consistency, demonstrating conflicting or contradictory results (Daily, Dalton, & Cannella, 2003; Dalton, Daily, Ellstrand, & Johnson, 1998). These results may be a complication of the need to rely on publically accessible information because boards of directors tend to operate behind closed doors. Nonprofit governance becomes even more challenging absent the profit motive as a measure of effectiveness. Financial measures are less certain in nonprofits because of the nature of funding streams, and merely having resources adequate to exist is often the only measurement of organizational effectiveness available.

There are, however, informative case studies of the failure process in particular organizations or small groups of organizations. These provide some insight as to what was going on in the external environment and within the organization through a process of decline. While failure/crisis has traditionally been viewed as the result of either external or internal factors, the available cases indicate that a complex combination of factors over a substantial period of time is at work. Most of the cases focus on management through the failure process (Burns, Cacciamani, Clement, & Aquino, 2000; Kam, 2005; Mellahi, Jackson, & Sparks, 2002; Sheppard & Chowdhury, 2005), but two cases focus on the role of the board (Mellahi, 2005; Mordaunt & Cornforth, 2004). While these case studies provide considerable depth and analysis of specific situations, the findings are not necessarily transferable to other organizations and situations (Stake, 1995).

Another challenge associated with this type of governance inquiry was the lack of consistent terminology. The terms "decline," "crisis," and "failure" are used almost interchangeably in management research (Mellahi & Wilkinson, 2004; Mellahi, 2005; Mordaunt & Cornforth, 2004; Walshe, Harvey, Hyde, & Pandit, 2004). There is some overlap in the processes proposed in these models based on specific cases, but they are named differently and that lack of clarity complicates attempts to apply existing theory to an array of specific situations. There have been a few investigations that included observation of board members in the normal course of their interactions (Huse & Zattoni, 2008; Leblanc, 2003; Pick, 2007). This paucity of information on board operations is largely a result of limited access to board proceedings. Board activities, for strategic reasons are not designed to be transparent. The few studies that exist do, however, provide interesting perspectives of board behavior from both directors and observers. This suggested that there could be merit in an inquiry that approaches board activities during a period of organizational crisis from the perspective of directors/trustees who were serving on the boards.

One of the salient findings in the case studies was that there had been signals of decline in the organization prior to and often for an extended period of time, but either no one was paying attention or the signals were weak and not taken seriously (Gandossy & Sonnenfeld, 2005; Lorange & Nelson, 1987). What the board knew and when they knew it may have been debatable, but at some point there was agreement that a crisis existed.

Crises can arise in multiple ways. A crisis can be the result of a single or complex series of issues. There can be a specific critical event—Sheppard and Chowdhury (2005) use the term nadir, Walshe et al. (2004) label them triggers—that cannot be ignored. Or the crisis can be socially constructed when key stakeholders decide there is a crisis that threatens the existence or legitimacy of the organization (Bovens, Hart, Dekker, & Verheuvel, 1999). Specifics may or may not be definite but at some point in time there is recognition in the boardroom that some kind of intervention and/or correction is necessary.

Purpose of Proposed Study

The purpose of this study was to develop an understanding of what board members experience during a time of organizational crisis. The study explored how board members identified and made meaning of difficult situations or events and how they determine the response or actions that best serve the organization. In interviews participants were able to discuss their perceptions of the board processes that went on as the crisis became apparent and progressed.

For the purpose of this study, a crisis was defined as a major incident or series of incidents that has the potential to harm the well-being of organizational stakeholders and threatens the legitimacy of the institution (adapted from Gillespie & Dietz, 2009). It is "characterized by ambiguity of cause, effect, and means of resolution, as well as by a belief that decisions must be made swiftly" (Pearson & Clair, 1998, p. 60). This definition allowed for a social construct of crisis along with the more traditional view of crisis as a singular event external or internal to the organization.

Many organizations experience crises that are not necessarily of a catastrophic level. With the definition adopted a crisis could be a series of minor incidents and issues that had the potential to compromise an organization in some way but not necessarily lead to its permanent demise. A crisis, however, can lead to disillusionment and shatter assumptions and values, leaving a permanent impact on individuals and on the organization (Gillespie & Dietz, 2009). How the board and management respond does have a significant impact on the ability of the organization to survive.

Research Question

How do board members experience an organizational crisis? From a distance it sometimes appears that boards make decisions that are less than rational given the available data, decisions that ultimately harm the organization the board is charged with protecting. In this study, board members, who have faced an organizational crisis, were asked to share their experiences. Their perceptions contributed to the development of an explanatory model that provides some explanation for how a group of individuals chosen for their knowledge and skills miss the signals of an impending problem.

Methodology for the Proposed Study

There is no existing governance theory that can provide an adequate explanation for board roles and activities particularly in a time of organizational crisis. I approached this study believing that there were aspects and social processes involved that were not fully understood. From the perspective of participants, at times interactions in the boardroom influenced board actions in ways that did not appear anywhere in the formal bylaws and rules. Even when results seem predictable to those observing from outside, participants in the process often claim to have been shocked or caught off guard. Uncovering the unspoken and invisible things that impact board proceedings provided a way to explore the underlying processes.

The methodological approach of grounded theory provided a research tool to help uncover board members' perspectives of the social processes that unfold in the boardroom (Blumer, 1969; Charmaz, 2006; Star, 2007). "A finished grounded theory explains the studied process in new theoretical terms, explicates the properties of the theoretical categories, and often demonstrates the causes and conditions under which the process emerges and varies and delineates its consequences" (Charmaz, 2006, pp. 7-8). Gathering and analyzing multiple perspectives from individuals serving on boards of different types of nonprofit organizations provided additional insights and explanations regarding the role of boards of directors in organizational governance not yet fully addressed in existing governance theory.

In this study, I have chosen to focus on nonprofit boards. Theoretically the role of the board of directors/trustees in the governance of an organization is the same for both profit making and nonprofit organizations, but there are some notable differences. Board members in publically traded corporations are likely to be compensated while nonprofit board members are typically volunteers. These volunteers often have some special commitment to the organization and view sharing their expertise through board service as a way to give back. There can be considerable prestige to serving large organizations like hospitals, health systems, colleges, universities and large charitable organizations where board activities and decisions are much the same as typical for a comparably sized profit-making corporation. This is not necessarily the case for smaller local agency boards where stakeholder groups are often represented. Because of the lack of access to corporate board members, this study will focus on the large nonprofit organizations where directors/trustees bring the same kind of experience and skill levels more typical of a for-profit corporation.

Overview of the Dissertation

This introduction provides an overview of the dissertation as the first of five chapters.

Chapter II is framed by the sensitizing concepts brought to the study and begins with a review of current governance models and best practices in nonprofit organizations. The somewhat limited collection of studies that address the role of boards of directors/trustees in organizational crisis and failure are explored in some detail. While opinions as to what goes wrong in the boardroom during an organizational crisis abound, several general process models that address organizational failure and organizational crisis but not the role of governance in the process are defined and discussed. The chapter concludes by establishing the relevance of the proposed study in relation to existing theoretical models that are currently used to explain board actions.

Chapter III discusses issues of methodological fit for this inquiry. The method of the proposed study, methodological fit between the subject of inquiry and the chosen method, and ethical considerations are addressed.

Chapter VI reports the results of the dimensional analysis, detailing the core and primary dimension details.

Chapter V discusses the theoretical model and offers conclusions for the question of how board members experience organizational crisis. Limitations of the study, implications for leadership and practice and suggested topics for additional research are detailed.

Chapter II: Review of the Literature

"In many organizations, the board is viewed in a way similar to an appendix, a part of the body without apparent purpose but capable of serious inconvenience" (Robinson, 2001, p. 12).

Institutional governance and boards of directors have come under considerable scrutiny in recent years with failures that were hard to imagine. For example, major organizations like Enron and WorldCom collapsed in what appeared to be short periods of time. In the postmortem analysis carried out in the popular press as well as around the water cooler the question that always surfaces is where was the board. From outside it looks like the organizations were to the point of meltdown before the board, if at all, intervened. Assuming that directors/trustees are appointed or elected to boards because of their leadership abilities, how do these groups of knowledgeable and talented individuals, not see the possibility of ultimate failure coming?

In this chapter I begin my examination of organizational governance and boards of directors by reviewing the extant literature in four somewhat distinct yet slightly overlapping areas. First I review the legal, theoretical and ethical bases of governance for guidance on the appropriate role of boards of directors/trustees in the governance of organizations. Next I focus on nonprofit governance models. I then consider the literature available on the boards of organizations that experienced crisis. In the fourth and final topic area I focus on failure and turnaround in organizations.

Legal, Theoretical, and Ethical Bases of Governance

A review of the legal, theoretical, and ethical bases for organizational governance is a logical place to begin. The legal duties and ethical responsibilities of governing boards to the organizations they serve are first discussed. A number of governance theories will also be presented, all with some merit but none that alone adequately address the role of governing boards in organizational crisis. Finally an ethical basis for governance is considered.

Legal duties. Nonprofit boards have three fundamental legal duties, two of which are shared with for-profit or corporate boards. The first of these duties is the duty of care. A director or trustee must use the care and due diligence of an ordinarily prudent person when acting on behalf of the organization (Hopkins, 2009; R. L. Miller & Jentz, 2011). The care expected of a prudent board member includes preparing for and attending meetings, exercising informed and independent judgment, requesting additional information when necessary for the decision under discussion, and making the same rational decision a prudent person would make given the same circumstances (Jennings, 2004; Robinson, 2001; Seay, 2004).

The duty of loyalty applies to both for-profit and not-for-profit boards as well. A board member has an obligation to always act in the best interest of the organization, not for him or herself, when making decisions (Seay, 2004). The duty of loyalty is the basis for the conflict of interest policies most board have that specify a board member not participate in decisions where there is a potential for personal gain for the member, his/her family, friends, or business associates, or use knowledge gained through board service for personal gain (Robinson, 2001). Even when there has been no board decision, using confidential information gained by serving as a trustee for personal opportunity or gain will also violate the duty of loyalty (Seay, 2004). A trustee must subordinate his/her personal interest to that of the organization when serving on a board.

The third legal duty, obedience, is generally viewed as only applicable in nonprofits though there is reason to include as appropriate in profit making organizations as a foundational element of fiduciary duty (Atkinson, 2008). A nonprofit organization is granted tax exempt status because its mission and purpose are charitable and beneficial to the community. The board then has a duty to ensure that the organization obeys or is faithful to that mission and complies with the laws and regulations necessary for maintenance of tax exempt status (Robinson, 2001). The board maintains the trustworthiness of the organization through the duty of obedience. The board provides assurance to benefactors that donated resources will be used for the stated purpose and serves as the conscience of the organization (Seay, 2004).

Theoretical basis of governance. The most commonly cited theoretical basis for governance is agency theory (W. A. Brown & Guo, 2010; Du Bois et al., 2009; Fama & Jensen, 1983; J. L. Miller, 2003; Olsen, 2000). Agency theory is based on the principal–agent relationship, and in terms of governance is concerned with issues arising from the difference in goals and attitudes toward risk between the board as principal and the executive/management as agent (Eisenhardt, 1989). It is the basis for board monitoring activities designed to ensure that management decisions are in the best interest of shareholders in the corporate world, and community, donors, and other stakeholder groups in nonprofit organizations (J. L. Miller, 2002). It is the board who hires, holds accountable, and if necessary, fires the chief executive.

Agency theory has been criticized for having too narrow a focus. Assuming that the sole function of the board is to ensure that the chief executive and management do not sacrifice the best interest of shareholders or community for personal gain does not allow for other traditional board roles like setting the direction and strategy for the organization, insuring sustainability, and in the case of many nonprofits a significant responsibility for organizational fund raising activities. Many believe that it is possible for executives to put the best interest of the organization ahead of their own as suggested by alternative theories.

Resource dependency theory is also an often cited basis for governance (W. A. Brown & Guo, 2010; Fama & Jensen, 1983; J. L. Miller, 2003; Nordberg, 2008; Pfeffer & Salancik, 1978). Individuals who can offer access to some resource the organization requires but might not otherwise be able to secure make desirable board members. The theory highlights the boundary spanning activities of the board and the board's role in uniting the organization and environment (J. L. Miller, 2003). It is particularly relevant in nonprofit organizations. Fund raising, contacts and introductions to power sources in government and industry, and even just lending a prominent name are expectations that most organizations have for those appointed to the board.

A third theory, institutional, is based on the politics and ceremony that define and influence organizations (DiMaggio & Powell, 1983; Guo, 2007) and pressure them to follow the norms of the sector (Fama & Jensen, 1983; J. L. Miller, 2003). The current focus on best practices driving the policies and procedures under which boards operate is accepted as the rule even though empirical evidence to validate that these practices increase effectiveness is often lacking. In a nonprofit organization granted favorable tax status, however, there are sanctions for failing to adhere to best practices that could result in loss of status so organizations have little choice but to mimic other successful institutions (J. L. Miller, 2003).

A democratic view of governance provides another theoretical perspective suggesting that board members are representatives of the interests of specific stakeholder groups that they have been chosen or elected to represent (Cornforth & Edwards, 1999). In a nonprofit organization that provides charitable services, at least in western society, the assumption of a moral obligation to provide services that meet community needs is fundamental to the organization's success (Guo, 2007). Unlike corporate boards in the for-profit sector where members are virtually all professionals who bring specific business or legal expertise, nonprofit boards are likely to include representatives from community and other stakeholder groups in addition to those with business backgrounds.

In contrast to agency theory that assumes agents will act in their own self interest, stewardship theory views the executive as a steward of the organization (Davis et al., 1997; Muth & Donaldson, 1998; Nordberg, 2008). A psychological perspective that recognizes the role of self-esteem and fulfillment, stewardship theory suggests that a steward is motivated to maximize organizational performance thereby making the executive's goals the same as those of the principal. The theory has been used as a basis for a governance structure that gives the CEO maximum authority as chair of the board of directors (Davis et al., 1997), but has been criticized as making it easier for that individual to subordinate the organization for personal gain.

Ethical principles of governance. In the for-profit environment, the organizational purpose is clear—generating income for shareholders. There is some ethical pressure for boards to encourage good corporate citizenship but profitability at all cost seemed to be the driving force in the wave of corporate failures in recent years. Governments have attempted to force business to comply with more rigorous governance and reporting practices legislation like Sarbanes-Oxley in the US, but the failures continued. As a result directors are feeling the public pressure for more ethical business models and social responsibility (Nordberg, 2008). The legal duties of loyalty, care, and obedience may no longer be enough.

Nonprofit organizations are not immune from scandal. In nonprofit organizations, trustees are faced with the balance between mission and financial constraints. While there is no profit motive, ignoring the bottom line can compromise the sustainability of an organization. Financing growth often requires a board of directors to compromise immediate needs in order to prepare for the future making financial decisions into moral decisions as well (May, 2004). Boards of directors or trustees in nonprofit organizations also feel this pressure.

D. H. Smith (1995) defines the moral core of trusteeship in nonprofit organizations by suggesting three principles to guide that work: "the fiduciary principle, the common good principle, and the obligation to act as a community of interpretation" (p. 5). The fiduciary principle covers the traditional legal duties of a board with the recognition of duty to three parties. There is an entrustor who creates the entity for a specific purpose, transfers responsibility to a trustee to act as an agent of the entrustor for the purpose of providing some benefit for a third party beneficiary (D. H. Smith, 1995). In governance, then, the trustee must be loyal to the purpose for which the organization exists, similar to the legal duty of obedience.

The common good principle suggests that "trustee action is rightly constrained by general social morality" (D. H. Smith, 1995). Nonprofit organizations often have multiple and sometimes conflicting purposes and trustees must ensure resolution is fair, honest and open to public review (D. H. Smith, 1995). They must govern in a manner that maintains a morally worthy organization acting in a morally worthy manner to achieve its moral purpose always for the common good (D. H. Smith, 1995). Trustees also serve as a community of interpretation, interpreting the organization's history and planning its future in a way that contributes to the overall good of society (D. H. Smith, 1995). Pressure for a more ethics-based approach to governance is likely to continue.

None of the governance theories or ethical principles alone provide an adequate explanation of the current conditions and consequences of organizational governance. Nor do they address all the roles of a board of directors. When combined these theories of governance and ethical principles can be pieced together to offer explanations but not in any exact or structured way. In the world of nonprofits where board members are volunteers with varying levels of commitment, the work is at best part-time and occasional (Pointer & Orlikoff, 2002) and the commitment of board members may not be strong (Ostrower & Stone, 2006). The literature includes prescriptive advice about what boards should and should not do, but there is no single best theory that defines all of a board's responsibilities (Inglis & Alexander, 1999; J. L. Miller, 2003; Nordberg, 2008; Ostrower & Stone, 2006; Speckbacher, 2008).

Nonprofit Governance

In the corporate environment the measurement of success for shareholders is relatively straightforward with earnings easily determined and evaluated. The market determines the success of the organization. Measuring success in the nonprofit world, however, is not so obvious since the objective financial measure of profitability does not apply. As long as a nonprofit organization has adequate resources to continue to exist, it will. There is no clear way to measure whether the resources are used as effectively as possible. This could be a valid explanation for one of the criticisms in the nonprofit governance literature: it is replete with prescriptive advice, detailing practices and procedures that define good governance but does not address effectiveness or define success (Cornforth & Edwards, 1999; Inglis & Alexander, 1999; J. L. Miller, 2003).

Servant leadership. Greenleaf (1977) proposes a very different and interesting perspective of governance based on servant leadership. He suggests that in most organizations the board exists to meet a legal requirement and to give the organization legitimacy and this nominal trustee with limited obligation idea is "a respectable, comfortable, time-honored arrangement. Please do not rock the boat" (Greenleaf, 1977). Boards may become more involved in a crisis, but for the most part trustees or board members, particularly in nonprofit organizations, seem to serve in an honorary role. From Greenleaf's perspective, that creates a problem because legally the board has responsibility for everything that pertains to the organization. The board can delegate responsibilities with the corresponding power necessary to operate the organization to the chief executive but cannot give it away entirely and irretrievably and still fulfill the role of trusteeship (Greenleaf, 1977).

Building trust is the cornerstone of trustee as servant, and that requires boards to actually set the organization's goals rather than approve those that management proposes, and then objectively review performance using data provided by sources independent of management (Greenleaf, 1977). If the board is going to determine the goals, servant leadership requires a board to learn what owners/community actually want. That means directors or trustees must know more about the subject matter than the community (Carver, 2002), something that Greenleaf referred to as trustee judgment (Greenleaf, 1977). When trustees are viewed as servants, trust should build and organizations should become more effective at meeting the needs of the communities they serve.

Policy governance®. John Carver's Policy Governance® model is one of the more widely accepted formats for how boards should govern. Based on the concepts of servant leadership, Carver's premise is that the board speaks for the ownership as a group. Individual board members have no authority, and the board only has authority when it speaks as one. The board has responsibility for everything in the organization but delegates most of it to the CEO. In turn the board holds the CEO responsible for operating the organization so that board efforts are spent on governing (Carver, 1997). In order to focus on governing rather than following the lead and agenda of staff, the board assumes the central role of policymaking, using policy to define the position of the board on intentions and activities of the organization. Policies need to address: “(1) ends to be achieved, (2) means to those ends, (3) the board-staff relationship, and (4) the process of governance itself” (Carver, 1997). Carver (1997) goes on to detail Policy Governance® specifics.

Policy governance differentiates ends policies from means policies. Ends policies start with a view from outside the organization and specify results and outcomes rather than the traditional terminology of goals and strategies. Because goals and strategies have both ends and means components, the board focus is on defining the ends as expected results and outcomes. The board delegates determination of the means to accomplish the specified results to the executive. Brief, results-focused mission statements characterize Policy Governance®, and it is up to the board to determine the specific constraints limiting how the mission should be accomplished through policy. Policies for means, for board-staff relationships, and for the governance process are the tools that allow a board to balance tendencies toward intrusion and “rubber-stamping” by determining the level where a majority of the board is comfortable with allowing the CEO to make the rest of the decisions. An executive evaluation system based on achieving the specified ends within the parameters of policy provides the mechanism for CEO accountability in Policy Governance® (Carver, 1997).

Governance as leadership. Chait, Ryan, and Taylor (2005) define three modes of governance that boards address if governance is leadership. Type I, the fiduciary mode encompasses the traditional board activities necessary to meet the legal duties of loyalty, care and obedience. Type II, the strategic mode addresses strategy, another traditional board activity. In the strategic mode, the board along with management addresses priorities, strategies, and the allocation of resources necessary for support. Type III, the generative mode has not traditionally been part of board governance activities. Effective leadership involves determining to what an organization should pay attention. If a board wishes to lead it cannot leave the decisions about how problems are defined strictly to management. A board in the generative mode participates with executives in framing or making sense of ambiguous situations (Chait et al., 2005).

Governance as leadership is collaborative and allows executives to use trustees as sounding boards resulting in an agenda that consists of more ambiguity than reports and motions. “Instead of winning the board’s confidence by masking all ambiguities, an executive can earn trust by exposing the ambiguities and then grappling together to make sense of the situation” (Chait et al., 2005, p. 97). Since trustees are somewhat removed from the operations of the organization yet still understand its culture and goals, they provide a different perspective and can help to bring the big picture into focus. It adds debate to the mix, something that boards preferring congeniality and “dysfunctional politeness” (Chait et al., 2005) might find uncomfortable at first. Most of all generative mode governance leads to a more efficient exchange of knowledge, more meaningful work for board and executive, and contributes to organizational effectiveness (Chait et al., 2005).

Boards of Directors/Trustees in Organizations in Crisis

Because of the subject matter and the notorious lack of transparency in governing boards, it was not a total surprise that when researching governance in troubled situations, the selected studies relied heavily on archival data. The sources of archived information included financial statements, annual reports, press and other published information, subscription databases, and governmental reports and databases.

“The field of corporate governance is at a crossroads. Our knowledge of what we know about the efficacy of corporate governance mechanisms is rivaled by what we do not know” (Daily et al., 2003, p. 371). The question of governance in an organization in crisis has received a lot of attention in the popular press, but the availability of empirical research in the field is limited and tends to focus on agency theory and the potential conflict of interest between management and shareholders in stable or growing firms. Much of governance reform, in the US specifically Sarbanes-Oxley, has been based on the assumption that independent boards that separate the CEO and board chair roles are more effective and yield better financial results. The research, however, is inconsistent and does not always support that assumption (Dailey et al., 2003). Sarbanes-Oxley requirements are increasingly being incorporated into nonprofit governance policies.

There has been considerable interest and much written about governance in recent years because of the number of significant corporate failures. In the world of nonprofits where board members may not have the same kind of business experience as corporate board members, individuals who agree to serve generally do so because of a strong commitment to the mission and the organization. These are hardly individuals who would want to see anything interfere with the organization's success; yet board members in a number of recent cases did just that. Agency theory and information asymmetry research suggest why this sometimes happens.

Agency theory focused research. The majority of studies that looked at boards of organizations that fail or experience major crises support agency theory and its view that the role of the board is to protect shareholders and/or stakeholders by keeping management in check. In for-profit organizations agency theory suggests that is best accomplished with an independent board and a structure that separates the role of CEO and chairman. Nonprofit organizations typically do not combine the roles of CEO and chairman but in many nonprofit organizations the CEO directs the chairman. A CEO who is responsible for the overall strategic management of a firm as board chair is also in a position to evaluate the effectiveness of that strategy, an apparent conflict of interest (Finkelstein & D'Aveni, 1994). Board composition and structure contribute to negative financial results (Daily & Dalton, 1994; Elloumi & Gueyié, 2001). These studies used pairs of firms, one with financial troubles and a similar firm in a sound financial position, and compared their governance characteristics. While neither concluded that independence and structure led to financial success both found that inappropriate board composition and structure was more likely in distressed firms than in comparable firms that were not (Daily & Dalton, 1994; Elloumi & Gueyié, 2001). In another study based on negative financial consequences of governance, Kosnik (1987) compared a group of companies that paid greenmail, a strategy where a firm pays an inflated price for its own stock in order to stop raiders known to unseat management from acquiring controlling interest, with a comparable group of firms that did not. This study found that independent boards and boards with a high percentage of directors with executive experience or with contractual interests tied in with the firm resisted the practice (Kosnik, 1987).

While there is strong support for the value of board independence and structure for successful governance, there are also studies that do not support that conclusion. Westphal (1998) suggested that changes in board structure that increase board independence from management are associated with higher levels of CEO ingratiation and persuasion behavior toward board members. This kind of behavior can offset the effect of independence on strategy and CEO compensation policy. Westphal (1998) concluded that independent boards rather than having a positive effect on shareholder wealth may actually have the reverse impact when CEOs use interpersonal influence to get board approval.

Boards with higher percentages of independent directors and that separate the CEO and board chair positions were no more likely to reveal negative information to shareholders and analysts (Abrahamson & Park, 1994). They committed no fewer illegal acts (Kesner, Victor, & Lamont, 1986) than companies with more inside directors and a single CEO/chair. These studies raise questions about the merit of board structure and composition reforms in terms of preventing negative consequences. Petra (2006) applied Sarbanes-Oxley reforms to Enron, WorldCom, and Global Crossings at the time of their crises and found that the companies actually met many of the reform standards. He concluded that reform based on the usual suspects of board independence and structure will not necessarily prevent future scandals, and suggests a need to rethink corporate governance from its most basic assumptions.

Information asymmetry. A recurring issue in governance research is that of information asymmetry, a term indicating that executives and board members do not have access to the same information. The board of directors should be aware of the external environment but generally depends on the executive and management team to provide relevant data and report on internal institutional issues and progress. While health care and education organizations traditionally include internal board members, external board members predominate on other nonprofit boards. That increases the chances that directors may not have all the information necessary for an informed decision.

Failure to report relevant information to the board, leaving board members unaware that a problem exists has been identified as a potential problem (Burns et al., 2000; Cannon & Edmondson, 2005; Fullan, 2006; Gandossy & Sonnenfeld, 2005; Kam, 2005; Mordaunt & Cornforth, 2004). Negative results may be “sugar-coated” in reporting fostering an aura that all is well when it is not (Kam, 2005) or dismissed as irrelevant due to executive arrogance (Maccoby, 2000; Mellahi & Wilkinson, 2004). A questioner may be marginalized for asking (Gandossy & Sonnenfeld, 2005; Leslie & Fretwell, 1996; L. S. Lewis, 2000; Mellahi, 2005).

Despite all of the issues, a board may still have faith in the executive and management and continue to rely on them to know what is best (Gandossy & Sonnenfeld, 2005; Janis, 1982; L. S. Lewis, 2000).

Even when provided with accurate but troublesome information, a board may still ignore, deny, or actually fail to understand the significance (Lorsch, 2009; Mordaunt & Cornforth, 2004). Board members who do not understand the information or its relevance can be embarrassed to ask. There may be fear that if the question is raised the board will have to deal with the issue, or directors may stay silent to be polite or to avoid conflict (Cannon & Edmondson, 2005; Mordaunt & Cornforth, 2004). Groupthink has also been identified as a potential issue in two case studies (Hensley & Griffin, 1986; Rabinowitz, 1986), and while the concept is plausible and intuitively attractive, the lack of access to board deliberation makes that classification speculative. All of these situations can lead to disastrous consequences if the organization remains committed to an inappropriate course of action, enhancing the rate of decline (Mellahi & Wilkinson, 2004) and leading to the ultimate failure of the organization.

Board role in organizational crisis. It is reasonable to argue that during failure boards of directors ought to be more vigilant and increase their contribution to the management of the firm (Mellahi, 2005). Directors may actually play their most significant role during a crisis (Lorsch & MacIver, 1989), increasing monitoring and control activities (Huse & Zattoni, 2008). Board response can be an important factor in whether the organization is able to recover (Harker & Sharma, 2000; Lorsch & MacIver, 1989; Mellahi, 2005;Mellahi & Wilkinson, 2004; Mordaunt & Cornforth, 2004). Directors or trustees are the stewards and have legal responsibility for the health of the organization (Carver, 1997; Chait et al., 2005; Greenleaf, 1977; Lorsch, 2009).

Their responsibility cannot be minimized when an organization finds itself in trouble. The last decade of business failures suggest that board vigilance is critical.

In looking at the role of the board in the failure and turnaround of organizations, Lorsch and MacIver (1989) suggests that a board's ability to handle a crisis depends not only on whether it is internal or external in nature but also whether it evolved over a period of time or happens suddenly. A quickly developing crisis, like a major lawsuit that threatens the organization's existence (external) or the death or illness of the CEO (internal) without an adequate succession plan, is easily identified and a board is likely to be quick to act. Conversely, slow declines within or outside the organization are often only clear in hindsight and the need for action is debatable (Lorsch & MacIver, 1989).

Boards cannot shy away from their power to govern but that can be challenging for part time outsiders. In times of crisis, members of successful boards find their time commitment increased dramatically (Lorsch & MacIver, 1989; Mordaunt & Cornforth, 2004) and some board members are less willing to invest time and effort providing advice when the crisis is severe (Minichilli & Hansen, 2007). They need to know not only what questions to ask but how to assess the answers provided by management (Lorsch, 2009). They need to be prepared to deal with conflict, something that makes many directors uncomfortable, and have the emotional resilience to remain involved in difficult deliberations (Mordaunt & Cornforth, 2004).

Successful boards have identified the need for leadership. Someone or some group needs to sort out what has happened and mobilize support for change (Mordaunt & Cornforth, 2004). If the management is implicated, directors may have to take a "hands-on" approach and temporarily get involved in the management of the organization (Lorsch & MacIver, 1989; Mordaunt & Cornforth, 2004) . There may be a need for a "safe place" for board members to discuss the crisis, either in an executive session for independent directors only (Lorsch & MacIver, 1989) or away from board meetings and the executive and staff of the organization (Lorsch & MacIver, 1989; Mordaunt & Cornforth, 2004). Challenges can be overwhelming, and dealing with crisis situations can take a toll on board members. Turnover following a crisis, even one that results in a successful turnaround is not uncommon particularly with volunteer boards in nonprofit organizations (Mordaunt & Cornforth, 2004).

Crisis and Turnaround in Organizations

There are challenges in approaching the broad concepts of organizational crisis. It seems that the terms “decline”, “crisis”, and “failure” are used almost interchangeably in management research (Mellahi, 2005; Mellahi & Wilkinson, 2004; Mordaunt & Cornforth, 2004; Walshe et al., 2004). There are differences when approaching the topic from a nonprofit versus a for-profit organization. The absence of consistent measurable determinations of success like profit and return on investment (ROI) make the determination of failure much less clear in the nonprofit world where just having enough to stay in existence is sufficient (Walshe et al., 2004). The lack of market discipline allows nonprofits more discretion and removes some of the competitive pressures associated with trying to satisfy customers and shareholders. Institutional mission is deemed satisfied solely by the pursuit of sound financial objectives so despite the best of intentions, mission is often reduced to survival at all costs (Sasso, 2003). As a result identifying crisis or failure can actually be quite political as the current discussions of failing schools.

Crisis models. It is rare that a single event causes the failure of an organization. It is far more likely that a history of small failures where outcomes did not meet expectations and the results were ignored or explained away preceded the decline (Cannon & Edmondson, 2005). Decline sets in but no one within the organization seems to notice what objective outsiders might find obvious. “Long periods of continued success foster structural and strategic inertia, extreme process orientations, inattention and insularity” (Baumard & Starbuck, 2005). Leaders deceive themselves into believing that staying the course will ensure continued success. A rigid organizational culture that demands conformity, limits independent voices, and leads to too much consensus can accelerate decline. As a result, a once successful organization is suddenly in crisis, and no one can understand how it happened (Lorange & Nelson, 1987).

There has been considerable debate over the years as to whether the antecedents to failure are external (environmental) to or within (behavioral) the organization. The external view attributes failure to market and economic conditions while an internal view focuses on managerial errors as responsible for failure (Kam, 2005). Most of the time both internal and external factors are involved (Mellahi & Wilkinson, 2004; Sheppard & Chowdhury, 2005; Weitzel & Jonsson, 1989). Failure is often located at that juncture between internal and external forces. The failure of the organization to deal with environmental realities creates the problem (Sheppard & Chowdhury, 2005).

Specific cases of failure in both corporate and nonprofit organizations have provided interesting insights and offer some understanding of the processes that contributed to the unfortunate situations (Burns et al., 2000; Hensley & Griffin, 1986; Huse & Zattoni, 2008; Kam, 2005; L. S. Lewis, 2000; Mellahi, 2005; Mellahi et al., 2002; Mordaunt & Cornforth, 2004; Rabinowitz, 1986; Sheppard & Chowdhury, 2005). These cases are compelling and have value in that they provide some insight into specific situations but are also limited in terms of generalizing the findings to other organizations (Yin, 2004). There are, however, numerous common threads in the cases and all offer the value in the opportunity to learn from the mistakes of others.

A number of models for crisis, failure, and turnaround have been proposed. The first, a conceptual framework model, was proposed by Weitzel & Jonsson (1989). This model refines definitions and perspectives and identifies five stages: blinded, inaction, faulty action, crisis, and dissolution. It also suggests that the crisis stage is the last chance for an organization to reverse its fortunes. Other models define stages based on specific case studies using somewhat different terminology, and while the stages differ, there are still a number of similarities in the models. Mellahi (2005) detailed stages of organizational failure as conception, warning signals, rebellion, and collapse to describe what happened at HIH, and identified the management actions and board reactions in each of those stages. Mordaunt and Cornforth (2004) include four phases in the way that they observed nonprofit boards deal with organizational crisis: recognition and denial, mobilization, action, and transition. Using the failure of Canadian retailer Eaton, Sheppard and Chowdhury (2005) identify decline, response initiation, transition and outcome to define the failure/turnaround process. While all address the management actions during the early stages, Mellahi (2005) and Mordaunt and Cornforth (2004) also attempt to account for why and when the governing board of the organization starts paying attention.

All of the models begin with a period of mistakes or missed signals that go largely unnoticed. All describe a tendency for the actors to deny the problem and do nothing until something or someone forces recognition of a problem. The critical moment for successful turnaround is when the potential for disaster is recognized and the management and board respond effectively.

Crisis. Given the complexity and size of failures in recent years it would seem that a single event was not the cause. The four models discussed earlier as well as significant anecdotal evidence indicate that there is a process of decline. Weak signals are easy to miss and even when noted, tend to not be taken seriously (Lorange & Nelson, 1987). Recognizing that something has become a crisis happens in a variety of ways. There can be a specific critical event—Sheppard and Chowdhury (2005) use the term nadir, Walshe et al. (2004) talk about triggers—that cannot be ignored. The crisis can also be socially constructed as when key stakeholders decide there is a crisis that threatens the existence or legitimacy of the organization (Bovens et al., 1999). Specifics may or may not be definite but at some point in time there is recognition that some kind of intervention and/or correction is necessary.

Crises, from an organizational perspective, can be defined as "disruptive situations characterized by urgency of decision, large impacts, and system restructuring" (Shrivastava, 1993). The literature on organizational crises sheds some light on what can happen when some event creates a situation that cannot be ignored. Adequate understanding requires a multidisciplinary approach with research contributions from the perspectives of psychological, social-political, and technological-structural factors (Pearson & Clair, 1998). The psychological approach focuses on the roles individuals play in crisis; the social political on shared meaning and socially constructed relationships; and the technological–structural on management and structure of the organization and environment (Pearson & Clair, 1998).

Roux-Dufort (2009) provides a processual model for how crises build in organizations. Like the other models, he suggests that most crises are "the result of a long period of incubation that bluntly occurs through the influence of a precipitating event" (p. 5) but goes on to describe why the organization does not seem to notice. Similar to other models the stages in the crisis development process are identified as anomalies and inattention, vulnerabilities and attribution, disruptions and denial of reality, and crisis and escalation (Roux-Dufort, 2009). "Effective crisis management involves improvising and interacting by key stakeholders so that individual and collective sense making, shared meaning, and roles are reconstructed" (Pearson & Clair, 1998). Organizational survival often requires that basic assumptions be challenged and subject to revision in order to move forward (Pearson & Clair, 1998). While seemingly simple, this can be an incredibly difficult endeavor.

Turnaround. Recognizing a crisis is critical. Recognizing it before it becomes a full crisis is more crucial. The ability to learn from failures, particularly the small ones, should be easy but there many factors prevent that from happening. "Pervasive social barriers, psychological and organizational, discourage reporting failure, just as technical barriers such as system complexity and causal ambiguity inhibit recognizing failure" (Cannon & Edmondson, 2005, p. 306). It is possible to turn a failing organization around once the real issues are identified (Harker & Sharma, 2000; Mordaunt & Cornforth, 2004; Sheppard & Chowdhury, 2005) but the challenges to doing so are many.

Three major turnaround strategies--retrenchment, repositioning, and reorganization—have been the subject of research, and all three have had some measure of success in at least some cases (Boyne, 2006; Boyne & Meier, 2009). Retrenchment involves reducing the size and or scope of an organization and is often the first action taken particularly when the crisis is financial. Making cuts in less profitable areas of a business can be an effective strategy and increase efficiency in the corporate world but may not be an option in nonprofit organizations that are obligated to provide certain services (Boyne, 2006). Repositioning with new mission, new markets, new products and reorganizing the structure and management responsibilities are also common first steps when trying to turnaround a failing organization (Boyne, 2006). None of these strategies are guaranteed and results may actually produce results that are the opposite of what was intended (Boyne & Meier, 2009).

"Turnarounds often proceed unevenly, in fits and starts, and are fraught with the danger of false recoveries that cannot be sustained because fundamentals have not been fixed" (Kanter, 2004, p. 173). Organizations are complex systems and a single intervention can lead to instability and more rapid disruptive changes that create anxiety and trigger systems breakdown (Farazmand, 2003). In a crisis that demands immediate action, traditional strategies of retrench, reposition, and reorganize will have a short-term positive impact that allows the organization to continue operations. All too often results are temporary and superficial, the organization is back to business as usual, change agents move on before changes are fully implemented, and despite the best of intentions the organization continues on a path of just getting by until the next crisis surfaces (Fullan, 2006).

There is no quick fix or one right way to turn a failing organization around. Effective turnaround requires accepting "that hard decisions must be made and that the institution will change in sometimes painful ways" (Leslie & Fretwell, 1996, p. 216). It requires strong leadership (Harker & Sharma, 2000; Kanter, 2003) and that can mean replacing the chief executive (Boyne & Meier, 2009; Lorsch & MacIver, 1989; Mordaunt & Cornforth, 2004) and/or board chair and board members (Lorsch & MacIver, 1989; Mordaunt & Cornforth, 2004). It requires organizational learning (Baumard & Starbuck, 2005; Cannon & Edmondson, 2005) and the restoration of trust in the organization (W. A. Brown & Pritchard, 2006; Gillespie & Dietz, 2009; Leslie & Fretwell, 1996). And it requires energy, tremendous amounts of energy from all involved. It is no easy task (W. A. Brown & Pritchard, 2006; Gillespie & Dietz, 2009).

Final Thoughts

Legal duties seem to be clearly defined, but in practice compliance can be difficult to assess. There are many theories of governance, but no single theory adequately accounts for all of the traditional roles and responsibilities of boards of directors/trustees. There is substantial agreement that boards should govern ethically, but how board ethics are defined varies among organizations. There are models, prescriptions, and protocols for governance. All make claims but none are universally accepted. There is evidence to suggest that much about boards and the process of governance is ceremonial, yet there is also evidence that at least some boards clearly contribute to organizational effectiveness.

Because this study used grounded theory methodology, data collected from individuals who experienced the phenomenon rather than existing theory guided the process. The method required an openness that allowed theoretical propositions to emerge from the experiences of participants. Grounded theory and the specific design of the study is addressed in Chapter III. Through the process of data collection and analysis occasions to return to the literature emerged. This additional literature is addressed in Chapter V.

Chapter III: Methodology

Research on boards of directors is considerable but with substantial limitations. Because boards usually operate behind closed doors, most of the available research is based on archived data from publically accessible sources. Only a small number of empirical studies address boards of organizations facing crisis. There are single and multiple case studies that include observation of board meetings and/or interviews with individual board members about their activities during a crisis but none focus specifically on board processes or interactions. Theories proposed in the cases are also limited in that they are based on mostly single, but no more than four organizations.

Since existing theories of governing in crisis were primarily limited to the experience of single organizations, using informants from multiple organizations had the potential to provide new and valuable perspectives. Strategically choosing an inductive approach illuminated the phenomenon in a way that led to the identification of patterns and that suggested a theory of action (Edmondson & McManus, 2007).

Methodological Justification

Grounded theory provided a way to systematically analyze board members' reflections on board processes with the purpose of creating theoretical models to help explain a board's role in crisis situations. It was an appropriate approach for answering the question how board members experienced an organizational crisis in a way that provided meaningful information from a vantage point different from what was currently available in the research. Charmaz's (2006) constructive approach to grounded theory facilitated a systematic analysis of board members reflections and provided a different vantage point for understanding why recognizing and responding to crisis is so difficult for a board of directors. In the next section, I begin with a discussion of history and methods subsumed under the grounded theory approach as the method employed in the study.

Grounded Theory

Grounded theory, originally detailed by Glaser and Strauss (1967) as a strategy for qualitative research, combines the competing traditions of Glaser's positivism and Strauss's Chicago school pragmatism (Charmaz, 2006). While there has been considerable controversy from those who advocate for positivist versus constructivist orientation of the method, I chose to approach this study using Charamz's (2006) constructive approach to systematically analyze board members' reflections of how their boards dealt with crisis situations. Grounded theory offered a means to uncover some of the invisible processes that influenced the way individual board members experience a crisis (Star, 2007, p. 79). The philosophical foundation in pragmatism (Mead, 1934) and symbolic interactionism (Blumer, 1969) couch grounded theory with an appropriate framework for uncovering basic social processes in a phenomenon.

Pragmatism and symbolic interactionism. Pragmatists see reality as many truths created through a continuous process of human activity (Given, 2008; Strubing, 2007). They come from the perspective that reality grows from consequences rather than antecedents (Star, 2007). Symbolic interactionism is a natural progression from pragmatism, viewing meaning as a social product defined by interpreting the acts of others (Blumer, 1969). "People at different points do something, and what they do is a result of how they define the situation" (Blumer, 1969, p. 19). Symbolic interactionism suggests that it is the "social process in group life that creates and upholds the rules, not the rules that create and uphold group life" (Blumer, 1969, p. 9), a particularly relevant context for understanding the social processes, antecedents, and consequences of board actions on members.

Symbolic interactionism influenced Glaser and Strauss's (1967) original grounded theory as a systematic qualitative procedure for simultaneously collecting and analyzing data. Theory is generated from the data and modified based on emergent theoretical understanding of the participants' perspectives. Rather than a prescriptive package or recipe for doing qualitative research, grounded theory provides a set of guiding principles for generating theory (Charmaz, 2002, 2006). As detailed by Charmaz, theory is not discovered but rather constructed through the lens of past experiences and interactions. This study was designed to develop an understanding of how board members who experienced an organizational crisis during their term of service constructed that reality.

Dimensional analysis. In grounded theory, the constant comparison method during the process of data collection, coding, and analysis of new and previous data, allows elements of the theory to emerge. Dimensional analysis adds a means to structure that analysis early in the process. With its assumption that reality is "(1) socially constructed; (2) always defined from a particular perspective; and (3) contextually situated" (Caron & Bowers, 2000, p. 288) dimensional analysis guided each step of the research and analysis. As potential dimensions emerged from the data a table for each was constructed identifying the conceptual components of context, conditions, processes, and consequences (Kools, McCarthy, Durham, & Robrecht, 1996; Schatzman, 1991). Because the process is dynamic, dimensions changed with the addition of additional data. Dimension tables were constructed and reconstructed. These multiple dimensions of the complex phenomenon from multiple perspectives allowed core and primary dimensions and ultimately a final model to emerge. The ability to focus the data on theoretical issues early in the process was critical for dealing with what ended up being an extremely complex question (Schatzman, 1991, p. 308). Returning back to earlier data each time a new puzzle piece emerged, while time consuming, also uncovered interesting aspects missed in initial reviews.

Method of the Study

The study addressed the research question through a constructivist grounded theory approach as described by Charmaz (2006). Charmaz emphasizes the principles and practices of grounded theory while including for the researcher co-construction of meaning with the participants. In this section I discuss the research design including participants, procedures, and data analysis.

Participants. Qualitative research requires finding participants who have experienced the phenomenon of interest to the study (Morse, 2007). Before soliciting participants for a purposeful sample, definitions were established and criteria to guide selection were determined. For the study a crisis was defined as a major incident or series of incidents that has the potential to harm the well being of organizational stakeholders and threatens the legitimacy of the institution (adapted from Gillespie & Dietz, 2009). I wanted to identify individuals who had served a board term with a nonprofit organization during a crisis (Charmaz, 2006; Stern, 2007). I also wanted to restrict the study to nonprofit organizations of sufficient size and stature with the expectation that board members would be knowledgeable of both business and governance practices. Nonprofit organizations in this study included health care organizations, education institutions, and IRS 501(c)(3) organizations with annual revenues of at least $1,000,000.

An initial group of individuals was identified from personal contacts and recommendations from colleagues and friends as potentially appropriate participants. Potential interviewees were provided with a document (Appendix A) that included a brief questionnaire and a description of the purpose of the study: to understand the experience of board members who had to deal with a major incident or series of incidents that had the potential to harm the well being of organizational stakeholders and threatened the legitimacy of the organization (Gillespie & Dietz, 2009). The original group was evaluated in terms of the stated organizational criteria as well as their willingness to participate and their availability. Not all participated, but some who did not meet the criteria were able to recommend others. Once interviewing began a snowballing approach was used to identify additional interviewees. In this approach original interviewees were asked to identify others they knew who had experienced a crisis situation while serving on a nonprofit board. The snowball sample technique provided a way to identify and access individuals who had experienced this rather unique phenomenon (Morse, 2007).

Procedures. Because of the nature of the question I had some trepidation about how to approach the topic of interest in a nonthreatening way. Before the actual study began I conducted three practice interviews with experienced board members I knew who had been through a crisis while serving. These interviews allowed me to formulate open ended questions in a way that encouraged reflection on thoughts, feelings, and actions. From those preliminary interviews two questions were identified to begin each interview. Interviewees were first asked to tell me about their board experience. The second question: I am interested in your experience as a board member when faced with an organizational crisis; would you tell me about the crisis you experienced during your board service?

Interviews. Based on location half of the 20 interviews were conducted in person and half by telephone. Interviewees and organization characteristics are summarized in Table 3.1. Participants were selected because of their association with a single organization that had experienced a crisis. However, it became apparent during the interviews that every participant had served on at least one other board and many had experienced more than one crisis on more than one board. As a result the interviews often included stories related to multiple boards. A total of 20 individuals were interviewed, and they discussed serving on a total of 37 different nonprofit organization boards. Organizations were located in ten different states from throughout the US and of the 37 organizations referenced in the interviews, 26 had experienced an organizational crisis. The other 11 organizations were identified by participants in an effort to provide a comparison of board processes when an organization was not in crisis.

Of the 26 organizations that experienced a crisis, 22 of the crises involved financial issues, 14 CEO issues, and 4 had strategic issues. Twelve were single issues crises (nine financial, 2 CEO, 1 strategic). CEO issues were complex. In three cases financial irregularities were attributed to CEO malfeasance and all resulted in the dismissal of the CEO. Another four of the CEO issues involved long term CEOs who the board was reluctant to take action against because of a history of success.

Interviews began with the participant being asked to talk about his/her board experience and then about the specific crisis experienced during their term. Listening deeply, focusing on the participant's narrative allowed additional questions to emerge as the interviews progressed. Interviewees were encouraged to reflect on their experience and interpretation of what had happened.

Since analysis began at the start of data collection specific issues identified early in the process were explored in more depth in later interviews. Interviews continued until categories were saturated. During the analysis it was evident that the role of former CEO on boards may have a particular influence on board processes. Therefore, in accordance with grounded theory theoretical sampling procedures, three interviews were conducted to focus on the specific issue of how an individual's own experience as a CEO impacted the way he/she perceived his/her role as a board member. Each CEO related complex stories to situate themselves in multiple organizations and these interviews were added to the dataset.

Table 3.1

Interviewee and Organization Characteristics

Interview	Gender	Nonprofit CEO	For-profit CEO	For-profit Board	Organization Type	Crisis	Chair Thru Crisis
1	female	no	no	no	501(c)(3)	yes	no
1					education	yes	no
2	female	no	no	no	education	yes	no
3	female	yes	no	yes	health care	yes	no
3					education	no	N/A
3					501(c)(3)	no	yes
4	male	no	yes	yes	501(c)(3)	yes	yes
4					501(c)(3)	no	N/A
4					501(c)(3)	no	N/A
5	male	no	yes	yes	501(c)(3)	yes	yes
5					501(c)(3)	yes	yes
5					501(c)(3)	yes	yes
5					501(c)(3)	no	N/A
6	female	no	no	no	501(c)(3)	yes	no
6					501(c)(3)	no	N/A
7	male	no	no	yes	education	yes	yes
8	male	no	no	no	health care	yes	no
9	male	no	yes	yes	501(c)(3)	no	N/A
9					education	yes	no
10	male	yes	no	no	health care	yes	no
10					education	yes	no
11	male	no	yes	yes	501(c)(3)	yes	yes
12	male	no	yes	no	education	yes	no
12					education	no	N/A
13	female	no	no	no	501(c)(3)	yes	no
13					501(c)(3)	no	N/A
14	female	no	no	no	501(c)(3)	yes	no
14					health care	yes	no
14					501(c)(3)	no	N/A
14					501(c)(3)	yes	no
15	female	yes	no	no	education	yes	yes
16	male	yes	no	no	education	yes	no
16					501(c)(3)	no	N/A
17	male	no	yes	yes	education	yes	no
17					501(c)(3)	yes	no
17					501(c)(3)	yes	no
18	female	no	no	yes	501(c)(3)	yes	no
19	female	no	no	no	501(c)(3)	yes	yes
20	female	yes	no	no	501(c)(3)	yes	yes

Transcription. All interviews were recorded with permission of the interviewee as detailed in the informed consent procedure (Appendix B). Because of the nature of the inquiry confidentiality was a critical requirement for most participants. Names, locations, and organizations are not identified or included in this report. The only classification identified is whether the organization was involved in health care, education, or with a 501(c)(3) organization.

Recordings were transcribed by a confidential transcription service with instructions to record pauses, laughter, and interruptions. I verified each transcript with the recording and made corrections as necessary. Participants were provided with corrected transcripts providing an opportunity to clarify or correct any statement in the interview. Two responded with some clarification and expansion of their comments and this additional information was incorporated into the interview transcript. Corrected transcripts were imported into NVivo for coding.

Analysis. The constant comparison method began with receipt of the first interview transcript and continued throughout the data collection. Beginning the analysis right from the start allowed emergent information to guide adjustments in subsequent interviews. As anticipated, initial interviews generated a wide range of ideas shaping the frame from which analysis was built (Charmaz, 2006). Lower-level codes and categories merged rather quickly during the early phases of data collection (Glaser & Strauss, 1967). Data was constantly compared, and interview questions were adjusted to address questions that surfaced through the analysis. Codes and categories shifted. Dimensional analysis aided in the process.

Coding. Five fellow students familiar with the coding processes required for grounded theory served as the coding team. Interview transcripts were initially coded using a line by line coding process. The first four interviews were coded by at least three individuals and the other interviews were coded by me and one other person. Conference calls with adviser Dr. Elizabeth Holloway and the whole team were held before coding began and then after the first three interviews. From that point email and individual phone calls with members of the coding team clarified conflicts and differing opinions. When possible, team members coded right into NVivo and their codes were imported directly into the master file. Because coding team members were using two versions of the program those working with the older version of NVivo coded in word and codes were manually entered into the master NVivo file.

When line by line coding on the fifth interview was complete some initial consolidation of nodes began. Within NVivo duplicates were merged, and where appropriate combined. After each subsequent interview codes were reviewed and consolidated where appropriate. Coding became more conceptual and by the tenth interview categories had become more theoretical and a number of potential dimensions were identified. At that point coding was directed toward the emerging dimensions. A member of the coding team served as a partner through the process of conceptualization, helping to talk through combining codes and then about the potential dimensions.

Memoing. Memoing began before the data collection and continued throughout the interviewing and model construction processes. A memo was prepared after each interview, reacting to and reflecting on the interview content. Memos were prepared after phone calls with coding team members and as the codes were consolidated. They detailed early thoughts about the conceptual framework and identified possible dimensions. Memos became part of the constant comparison, from the original categories to possible dimensions and ultimately to the final theoretical model.

*Dimensionalizing the categories***.** Constructing, destructing, and reconstructing dimensions from multiple perspectives gave structure to the analysis and comparisons in a way that would not have otherwise been possible with the complexity of the phenomenon (Kools et al., 1996). Primary dimensions eventually emerged. Each primary dimensions was then tested for its ability to provide perspective and from that analysis the core dimension was identified. As a dimension was identified an explanatory matrix that addressed context, conditions, processes, and consequences was developed (Kools et al., 1996; Schatzman, 1991). Conceptual and theoretical memos detailed the thinking that went in to all of these activities.

*Saturating the theoretical dimensions***.** In grounded theory, saturation is achieved when categories are saturated, that is "when gathering fresh data no longer sparks new theoretical insights, or reveals new properties of …core theoretical categories" (Charmaz, 2006, p. 113). Signs of saturation occurred with interview 12. Two additional interviews were already scheduled with individuals from the same board—the chair elect through the early stages of the crisis and another board member who was not part of the executive committee. These additional two interviews provided a chance to assess how different individuals viewed the same situation. Both interviewees warned that the other party might not see the crisis the same way, yet the stories related were virtually identical.

During the analysis of the last group of interviews perceptual differences in recognizing and responding to a crisis was noted in the responses of those with CEO experience. Theoretical interviews to explore the question were scheduled with three additional CEO participants—one with for-profit and two with nonprofit CEO experience. In the preliminary conversation with one of these CEOs it turned out that the individual had also served as board chair through a crisis related in an earlier interview so that actual interview was able to address both the CEO aspect as well as provide a second intraboard perspective. These theoretical interviews provided additional insight.

When the final theoretical model emerged it was apparent that information collected in the three practice interviews supported the model. The IRB application was revised to include these practice interviews and approved by the IRB chair (Appendix C). The three individuals were contacted and provided the study requirements and informed consent information (Appendix B). All were provided interview transcripts and signed informed consent forms. The interview codes from the three additional interviews were added to the data to provide additional support.

Relating the Method to the Story

Grounded theory proved to be an effective tool for learning about how board members experience a crisis. Interviewees related fascinating stories, many of which could provide the basis for a novel as easily as a research model. Dissecting the narratives line by line exposed nuances that would have been easily overlooked with a purely thematic analysis. Coding to such detail helped minimize the impact of personal biases when a single sentence was allowed to stand alone. Continuously returning to previous data each time a new interview was added changed the frames and focus of analysis multiple times. Dimensions were identified and abandoned, but each rearrangement expanded my view and eventually forced me to think in theoretical terms.

Not all of the collected data was useful in terms of the model, but it was hard to leave the stories behind. The results of a grounded theory focus on theoretical understanding rather than individual narratives. Using pieces of the narratives to detail the aspects of each dimension in the chapter that follows does, however, provide an opportunity to relate the stories in a way that conveys a sense of the complexity of the problem. Grounded theory provided an effective manner of dealing with this complexity.

Chapter IV: Results

The purpose of this study was to develop an understanding of board members experience during a time of organizational crisis. From the dimensional analysis of the interviews, four major dimensions emerged: the *Tangled Web; Recognizing; Responding;* and *Stepping Up.* In dimensional analysis one central or core dimension provides the best perspective from which to build an understanding of the context, conditions, processes, and consequences of the social processes in the phenomenon. In this analysis, each of the four dimensions was given the opportunity to serve as the core and provide the perspective for theory. Ultimately the *Tangled Web* emerged as the core dimension from which the other three, now classified as primary dimensions, interacted.

In this chapter I will begin with an overview of types of organizations that were discussed in the interviews. The information on the organizations will provide a foundation for understanding the context in which the participants served as board members. Next I will discuss the interpretive meaning of the core dimension and primary dimensions that emerged from the analysis. The core dimension, the *Tangled Web* and each primary dimension—*Recognizing, Responding*, and *Stepping Up*—will be presented, summarized in a table including categories that describe the rich detail of the dimension's meaning. A description of the model of board members' experiences during a time of organizational crisis that was conceptualized from these dimensions will be detailed in Chapter V.

Participants and Organizations

Serving as a nonprofit board member is both challenging and gratifying. Most interviewees admitted that it required far more time than they originally anticipated, particularly during crisis situations. Sometimes the details were sketchy, but in many cases interviewees related details of a situation that had taken place several years before with amazing clarity. It is important, though, to recognize that the stories related in the interviews were retrospective and represent the perceptions and interpretations of individuals who served on a nonprofit board of directors during or immediately following a crisis in the organization. Their interpretations may or may not be completely accurate but are rather an indication of how these individuals made sense of the experience. In an effort to contrast perspectives of individuals on the same board and in different roles, interviews were conducted with a second individual, either chair or vice chair, from two of the organizations. The recollections and interpretation of both board members were consistent in details and interpretation with the respective board officer interviewed.

Because of the nature and notoriety of some of the stories of crisis, interviewees were quite concerned that the anonymity of those organizations for which they served be preserved. Those wishes have been respected in the presentation of the findings; however, the provision of general characteristics will enhance an understanding of the context in which the board members served. Therefore, organizations have been categorized by industry and revenue. All of the organizations were classified as health care, education, or as IRS section 501(c)(3) exempt institutions and all had annual revenues of over $1 million dollars. Although no additional information about the financial specifics was solicited, some participants offered detailed financial information and gave permission to use this information because of the importance in characterizing the crisis. Some of this information is included in quotations when it is relevant to understanding the social processes among board members that incurred. Demographic characteristics of interviewees and the organizations are summarized on Table 3.1.

Overview of the Dimensions

Dimensional analysis assumes that reality is "(1) socially constructed; (2) always defined from a particular perspective; and (3) contextually situated" (Caron & Bowers, 2000, p. 288). Dimensions help to focus the data on theoretical issues early in the process. Once the primary dimensions in the data are identified, explanatory matrices are created using the dimensions and their categories to provide "a structure of terms that totally frame and give direction or methodological perspective to analysis" (Schatzman, 1991, p. 308). The explanatory matrix that emerged in this study is shown in table form and includes context, conditions, processes, and outcomes. Each of the primary dimensions is also treated the same way. The explanatory matrices for the primary dimensions gave rise to the "core dimension"—that dimension that proved to be central and provided the context and/or conditions for the primary dimensions—of the project. The core dimension, the *Tangled Web*, provided context for the primary dimensions.

The context and conditions of this tangled web are best illustrated through the narratives of interviewees. As a result the details of context and conditions as described by participants are discussed first, providing a useful background for considering the core dimension—the *Tangled Web.*

Because of the variety of titles used in the organizations some common terminology was adopted. Chief executive officer (CEO) is used to identify the single individual employed by and answering to the board regardless of title. Board chair identifies the individual elected by the board to serve as the executive or chief spokesperson for the board. When the term vice chair is included it involves a board where the vice chair is the heir to the chair, and in those cases the vice chair became chair during or immediately following the crisis. Other generic identifiers utilized in direct quotations are presented within brackets. Interviews were numbered in the order completed. Quotations from the transcripts are identified by interview number.

Core Dimension: The Tangled Web

The ability of a board to recognize and respond to a crisis takes place within a complex web of individual and group perceptions that can obscure the most basic of information necessary for effective governance. The composition of the board, with all of the attributes and experiences that individual board members brought to the table, influenced how members viewed their role and responsibilities to the board and the organization. Customs and norms of the group influenced how a board related to the CEO and responded to the information presented as the basis for decisions. Congeniality, real or imposed, was often valued over decision quality and the perceptions of all involved from board members to CEO's to the staff of the organization.

The processes involved in board interactions were difficult for interviewees to explain. It brought to mind the first line of a Walter Scott (1808) poem—"oh what a tangled web we weave, when we first practice to deceive." It is not a suggestion that boards deliberately try to deceive but rather that much about the governance processes described suggest obfuscation. The actions of individual board members and their attempts to function as a governing body do create a tangled web. When viewed through the lens of a tangled web of perceptions and hazy understanding of what was expected, a board's failure to miss signals of impending crisis in some of the newsworthy stories now seemed plausible.

There are limits to what boards can do and how well they can function. First and foremost in the nonprofit environment most board members are volunteers. They have limited time, limited training and orientation to their roles, and often limited understanding of the business in which the organization they govern is engaged. The board relies on the chief executive for adequate information and explanations for matters the board must decide. Many often feel they do not know enough to disagree with what has been proposed. Some board members perceive their role as primarily fund raising. Others serve for the prestige, but most are there because they believe in the organization and see board service as a chance to give back.

It is within this *Tangled Web* of unstructured roles and responsibilities that boards of directors are expected to *Recognize* and *Respond* to even the most obscure signals that something could be wrong. The *Tangled Web* as the core dimension provides context and conditions for the primary dimensions of *Recognizing, Responding* and *Stepping Up*. Table 4.1 summarizes the context, conditions, processes and outcomes that situate and describe the core dimension.

Table 4.1

Core Dimension: The Tangled Web

Context	Conditions	Processes	Outcomes
individuals on the board	it's about the money	monitoring conditions	failing organization
board as a group	CEO issues	recognizing	"just existing" or muddling organization
policies and processes	changing directions	responding	thriving organization
limited time and information	environmental issues	stepping up	

Context. The boards discussed by interviewees operated in a variety of ways and structures. Individual and group perceptions and relationships all influenced the complex and often confusing environment identified as the *Tangled Web*. Understanding the context for the

Tangled Web includes the categories: *individuals on the board; the board as a group; policies and processes; and limited time and information.*

Individuals on the board. A nonprofit board is made up of individuals who bring their own perspectives and views to their service on a nonprofit board of directors. The first characteristic of context for the *Tangled Web* is *individuals on the board*. Categories included in *individuals on the board* include *member skills, experience and expectations; CEO experience;* and *gender* as summarized in Table 4.2.

Table 4.2

The Tangled Web Context: Individuals on the Board

Individuals on the Board
Member skills, experience, and expectations
CEO experience
Gender

Participants volunteered to serve for a variety of reasons. Most did it as a way to give back, often because of a special commitment to the organization. For some, employers encouraged employees to get involved and actually nominated them for community board appointments. Interviewees described some fellow board members who they believed volunteered to enhance their reputation. Many admitted they volunteer because they enjoy the experience.

> Well first of all the number one reason that I do it is that I enjoy it. And I can give you all sorts of noble sounding platitudes about why, but I do enjoy it. And I see it as sharpening my management and business skills because often it's harder to run a nonprofit than it is a for-profit company. (I-5)

Nonprofit board members are generally not paid for their service yet they were expected to take on considerable responsibility.

> There was a time when most nonprofit boards were more social and it was more of a status…so it had more to do with your bragging rights at the country club than it necessarily did about fiduciary responsibilities. But as businesses got more complicated and times have gotten more challenging and we have a proliferation of nonprofits all competing for the same pot of dollars, it has become more and more complicated. (I-5)

Another participant identified an issue arising from those demands.

> What I've come to understand is there are a lot of people who get on boards because they want their names to be on things and they really don't want to do the work. Or they're overwhelmed by the work or they may have started out with great seriousness and earnestness and it, it's too much for them and they don't know how to get out of it…. They just feel like, "What's the worst that can happen if I hang around?" (I-1)

The category of individuals on the board can be further broken down to a number of factors. The most notable of those factors include *member skills, experience, and expectations; CEO experience;* and *gender.*

Member skills, experience, and expectations. Because of the scrutiny and responsibility involved it was not unusual for boards to seek specific skills when looking for new board members:

> Something that I've learned to try to do with nonprofits is to make a list of all of the skills that are necessary for this organization to function: risk management, operations, marketing, advertising, public relations. And try to fill the board with people with that expertise. You find more of that has been done in for-profit companies. (I-5)

Accountants, lawyers, physicians, executives, and other professionals can provide professional expertise for the organization but that knowledge was a source of annoyance to other board members.

> Now what board members tend to do in my opinion…they tend to take their skills and they want to show everybody off on the board. If they're CPA's they want to… nitpick the budget. If they're attorneys…they want to say now you know you could get sued on this….It's really interfering with the workings of the board. (I-3)

Another related a similar situation that demonstrated how difficult it was for the board to make progress.

> Six lawyers in a room talking about issues was one of the most painful experiences of my life. My first board meeting they had 30 items on the agenda…and the first item took 22 minutes…. I said, "opine you're all smart but you can't debate this many issues and move forward as a board it's just not productive." (I-11)

Experience and expectations created inconsistencies in how individuals viewed a board's primary duty. Some participants believed that their primary responsibility was to the organization and all decisions should be framed by what was best for the organization. Others saw their role as representing some constituency and as a result framed decisions from the perspective of what was best for the particular stakeholder group they represented. Still others felt their role was to do what was best for the community at large even if it meant a decision may not be in the organization's best interest.

> As a board member you're usually there out of some sort of specified role. For example, I'm a community member on [a health care organization] board…There are physicians that are on that board, they represent the medical community… it's their job to represent the medical community. My job is to represent the community interest. (I-10)

And another commented: "you're supposed to represent the organization structure. You should figure out what you can do that's for the good of all of us as opposed to the good of yourself. I think a lot of people forget that" (I-4).

Another board member, describing a terribly dysfunctional board that was in the final stages of trying to salvage the organization, described a small group of board members: "they just didn't seem that willing to cooperate at all, and their attitude was we're the only people that are important here…If it requires some effort on our part, or something that we can do differently, we're not interested" (I-8). While most board members are not motivated by self-interest, a lack of clarity as to whom a board member owed primary duty created some confusion during board deliberations.

CEO experience. Individuals with CEO experience are attractive potential board members. Having board members with CEO experience whether in for-profit or nonprofit organizations enhanced the status of the board and the organization. CEO's felt they brought valuable information and helped to broaden the boards' perspective. They also provided a unique kind of support for the organization's CEO.

> I articulate to the rest of the board members their proper roles and responsibilities to that CEO. I wind up being a protector but not one who is unwilling to remind the CEO when things aren't right.... And so I'm a nice voice to have if you're a CEO, because as a board member, I say "hey, it's not appropriate for you to contact the vice-president." (I-10)

Another individual who had served as a CEO in a nonprofit organization stated:

> I've always been a proponent of the CEO because I know that …board members call, beat on him wanting this, wanting that, wanted their vote, wanted their favor. So I understood all the back room kind of things that went on with the CEO. (I-3)

But experienced CEOs from other organizations were also disruptive and difficult for the organization's CEO as well. One CEO talked about another CEO board member: "he used the credibility of having been the president to say, well this is what you're supposed to do. I know because I was in that job. And that's a slippery slope" (I-10).

CEOs and former CEOs brought considerable skill and understanding to boards. They both helped and occasionally hindered the organization's CEO. They also used their influence in both positive and negative ways.

Gender. Gender had an impact on how women experienced board service and on how board roles and responsibilities should be carried out. The issue of gender emerged early in the interviews with women. As a result in subsequent interviews if the topic of gender had not come up by the end of the interview, the participant was asked whether it was an issue. Seven of the ten women interviewed brought up gender. Not one of the ten men did and even after asked specifically whether gender mattered, only one of the men had anything to say about gender as an issue. To some of the women it felt like many boards still operated primarily as a good old boy network.

> Oh, believe me, I was their token female (laughter)…And I sat in these meetings with all these old men, who half of them slept through the board meetings, and who really had no passion for the [organization]… and every once in awhile they'd turn to the other end of the table and say "[Sue] so what do you think?" (I-14)

Another woman described male board colleagues:

> I found that, business men are great at analyzing and telling you what's wrong with the place but they "ain't" great at getting off their duffs to ask for money and doing the real hard work that has to be done… It goes all back to the women that are left on the board. (I-6)

A woman who was bypassed for reappointment to a board despite her interest, extensive background and experience, and the considerable success of her activities in support of the organization, expressed hurt feelings and a feeling that gender was involved: "no one likes rejection but I took it as that I spoke up and I think men can speak up and be looked at differently but when women speak up" (I-3).

While men did not bring gender up, when asked, the perceptions related were often quite different. One man had a concern about fund raising. "Not all women are willing to ask for money. And I don't mean to paint a broad brush, but there are probably more men that are willing to ask for money than there are women" (I-5). Most noted little difference between men and women on boards.

> I worked with women all my life. And I find that it's in the temperament one way or another it wasn't necessarily defined by gender.… I haven't seen that much

> difference…Some of them like any individual, are better prepared and work harder. I can see that from both genders. (I-12)

Another man related a story about a woman board colleague who was never considered to replace him as board chair. He had participated in the decision and explained that she

> …was furious that she was never given even a consideration…. I thought she was too busy for it because she had, she still has a pretty high-powered job, travels internationally a lot…I didn't think of the person as really having the time….And she was pretty bent up for a while. We had to do a lot of mending. (I-11)

Some of the comments from men, while not intended as derogatory, could be interpreted as condescending.

> I have never been in a situation where I felt there was… a female board member that didn't have the best interest of the organization at heart. If there were issues, it was probably more an issue of the level of sophistication. (I-16)

Another acknowledged some gender differences in a positive manner but then prefaced a compliment with a comment that could be interpreted in a different way.

> I think women will sometimes give more time and more serious thought to boards. Men, particularly successful businessmen tend to lose patience....I don't mean to sound chauvinistic, but women are more comfortable with a two or a two-and-a-half hour meeting than men are. They are more patient. (I-5)

An aspect of gender that cannot be denied is that nonprofit board service does provide opportunities for women that may not be as available in the corporate world. A woman with extensive corporate and board experience talked about perceived limits for women in her industry and how her board service has provided opportunities she did not have in business.

> I retired after 32 years by choice so that I could do full-time volunteer work. So I think maybe in the back of my mind a little bit, I'm just sort of like getting even or proving, I'm proving that I'm good at what I do and I'm using the exact same skills that I used in the corporate world, and they're working here. I'm going to make this a success. (I-14)

Successful women do find opportunities through board service and often learn valuable skills.

> And if I had a word of wisdom for women, don't be afraid of the bullies. I have never been bullied more than I have in my board service. And I am, having been all those years in business, I am not fearful of bullies….You don't have to be a jerk, but don't be bullied into accepting something you don't think is right….Women I think tend to get bullied. (I-13)

Gender does have some impact on how communications and actions are interpreted within a board of directors. These gendered perceptions were confusing and inconsistent and seemed to have some effect on how individuals function on a board. Perspectives clearly differed not just with gender but with member skills, expectations, and experience, and CEO experience. These were the individuals that came to the board. How they functioned as a board leads to the next contextual category, board as a group.

Table 4.3

The Tangled Web Context: Board as a Group

Board as a Group
Orientation
Operating
Board meetings
Disagreements

Board as a group. Putting a group of skilled individuals together does not guarantee that they will function as an effective board. The second context characteristic summarized on Table 4.3 is board as a group and includes the categories *orientation; operating; board meetings;* and *disagreements*.

Orientation. Perceptions of how the group operated and their own understanding of specific board responsibilities often were all individual board members had to guide them.

> There's no real orientation, you just kind of showed up at meetings and they had sent you a little reading material beforehand which how can you be expected to step in and just somehow by osmosis know what the topic of conversation was going to be. (I-16)

One interviewee, an experienced board member, talked about his experience on his first board:

> I had never been on and knew nothing, knew absolutely nothing about [the organization and its business]. It was my first board… and I suddenly realized that I had no frame of reference….I didn't know where in a city this size with the budget that they had whether or not they should be serving twice as many people. (I-5)

Many interviewees expressed frustration with fellow board members who were really not clear about the organization or the environment in which it operated. Board members should "learn as much as you can about the organization and about the business that they are in, not just the organization" (I-4). Another reported that "there are a number of people that shock me how little they know about what the organization is doing day to day and even less so what's the vision for the future. And that's not very helpful" (I-11). The consensus among interviewees was that individuals who agree to serve on a nonprofit board have an obligation to learn more about their role and that of the organization even if the organization fails to provide that kind of orientation and training. "Boards have to take on self-responsibility of educating themselves, so they understand how the operation of the organization works. If they don't do that, you're in a hell of a problem" (I-12).

One interviewee in discussing the primary organization that was the subject of the interview related a situation experienced as a member of another board facing a crisis:

> It was a dysfunctional working board. So…for about a year, we went through board boot camp. We were never allowed to be in committee meetings….We always worked together until we agreed that the committees could be resumed because we would trust the results would be in the best interest of [the organization]. (I-1)

Unfortunately when that technique was suggested to the primary organization in similar circumstances, there was no interest in additional involvement for the board.

Boards need to be aware of how they select and assimilate new members, keep developing existing members to roles and responsibilities, and develop appropriate policies and procedures to ensure it happens. Some of those discussed did, but many did not. One interviewee explained the process: "New board members come on, the nominating committee has nominated them, somebody has taken them to lunch there has been some discussion…maybe they feel like that's the orientation—that interview lunch" (I-20). Another explains why it is often difficult for new board members to understand what is acceptable.

> The first year I was new I just sat and listened. I was not going to make any waves, I just rode them…. The third year I started to notice the pattern. What's going on? Maybe I missed something. Sometimes it's a matter of you don't even know what questions to ask. (I-18)

Failing to adequately assimilate new board members has the potential to impact a board's ability to deal with and operate in a crisis situation.

Operating. Interviewees saw their boards in a variety of ways that indicate just how the board functioned as a group.

> When we're together we do have our internal battles and I think that right now, especially we've got an excellent board and I think we have some very strong people on there, and in the past and we've got some people that have not necessarily contributed successfully on the board, but they decided to leave so that was good. (I-12)

Another described the perception of the board in the community. It's "considered an old time snooty board, filled with old… names, but not much action. And we developed a persona, I believe within the community of being… aloof" (I-13). Maintaining the status quo was easier when the community bought into the excuse of that is the way it is done.

Board meetings. The most fundamental of board activities is the scheduled board meeting. This is where the ongoing business of the board is supposed to take place. Meeting agendas and protocols and how they were carried out shaped director behavior and impacted decisions.

Board meetings functioned in a variety of ways. Some were quite congenial. One interviewee said “you feel good while you’re there—it’s always a comfortable room” (I-2). Another stated “I just know that when I go to the board meetings before the meeting starts everybody is glad to see everybody else and we chat and find out how the families are doing and it’s a really good situation” (I-17). Others mentioned more specifics from their experiences.

> I think we genuinely like and respect one another. That too is important and we go through the vetting process, we spend a lot of time on the personality fit. We’re not trying to, we’re trying to be diverse in both how we look and how people think but we’re not trying to bring any firebrand in there to straighten everything up, you know. (I-11)

And another described one of the boards in interesting terms: “the board was, acted in many ways when they were together, extremely professional. So there was always a courtesy and an elegance concerning that board. People did not get into screaming matches, anything like that” (I-3).

Some boards experienced little participation from directors. “Some people will sit around and never say a word. You don’t even know if they have a voice…I used to complain about sitting in those board meetings because nothing ever happened” (I-4). Another explained in detail a fascinating observation:

> One of the observations that I made early on was that the CEO had made intentional recruits out of people who would look good on letterhead, but he was fairly clear would never show up… of that group of people that were there, a handful of folks that literally never opened their mouth. Never said a word, didn’t complain, didn’t praise, didn’t talk about the financials, didn’t talk about anything. They came, they sat, they ate a doughnut, they left. (I-1)

Lack of engagement and perceived rubber stamping led to questions for those board members who saw problems within the organization but felt that fellow board members were not paying enough attention. A new board member described the situation:

> They were just rubberstamping everything the [CEO] put in front of them. A lot of the early board members didn't show up for meetings. I mean it was difficult for me to even know who was on the board because the same three or four people showed up but I learned later there were like seven people on the board and I never met some of them. (I-19)

A nonprofit CEO who also sits on a very engaged board of another community organization wished his somewhat uninvolved board was more like the board on which he serves.

> These are people who are engaged, and they show up…. You've got people who are putting in lots and lots of extra hours, and they're doing amazing kinds of things. And you know [the CEO] every now and then he gets kind of concerned about somebody, but it's much much easier to channel the energy than to ignite the energy in board members. (I-10)

For a variety of reasons the meetings were not always productive and actually became uncomfortable for some. One individual related the experience rather succinctly: "I've seen fractiousness. I've seen people just be jerks. I've seen people calling and making ploys behind their back; you know political movements behind the back" (I-13). Another individual with nonprofit CEO experience described an interesting phenomenon. "A lot of board members loved to come in with surprises because they think that elevates them with the board and all this other stuff or they speak off the cuff because they didn't do their homework or whatever" (I-3).

Some boards that were described lacked focus, a situation that made dealing with a crisis even more difficult.

> The meetings tend to get out of hand and to me on occasion people just start dialoging about something and then the chair tries to get it back to some sense of Ok, Ok. Ok what are we talking about here? Let's focus. (I-20)

A similar situation was described in humorous terms: "a lot of them are talking because they need a life, and this is an opportunity to demonstrate their importance. You know it's part of their 15 minutes, part of Andy Warhol's 15 minutes of fame" (I-4).

One interviewee speculated about why attendance at meetings kept dwindling, making board members less likely to participate in board activities.

> We got this numbers guy and he was so boring. His reports, they would go on and on ad infinitum. And just, we get it (laughter). We don't have to go over every minutia and see that everything is negative, negative, negative… and I think I definitely in the last four years, five years have seen a decrease in the number of members that come. (I-6)

Several used the term "pontificate" to describe how some board members came across in nonproductive meetings. No matter the term when board discussions were perceived as overkill, meetings became difficult and that caused some directors to disengage. Similar observations were mentioned in the discussion of disagreement.

Disagreements. Disagreement among board members can be uncomfortable and as a result minor issues with the potential to become major may not surface early enough to prevent harm. When asked if there were disagreements on the board one interviewee replied "you know, there probably should be but they never, people might have a difference of opinion but it's a very sort of harmonious situation. I'm not sure if that's good or bad" (I-17). Another interviewee expressed frustration with the unwillingness of board colleagues to openly question or disagree, choosing instead to complain behind the scenes.

> People…should feel that they had the right and the ability to voice dissention if they think you're going in the wrong direction. Most non-profit boards don't do that. People either have sidebar conversations, or go gripe to one another afterwards. (I-14)

Lack of open disagreement did not equate to a board in agreement in many of the situations discussed.

An unfortunate situation was related by an individual who served as board chair when a board member violated the trust of fellow board members by going public with confidential board discussion. The board was contemplating a strategic change in direction and had agreed not to publicly discuss the change until they finalized a plan to move forward with the proposal.

> One board member kind of was in the background torpedoing what we were, or just going against… to the point where the, somebody, I don't know if it was this guy or somebody else, but someone alerted the media and so there was all of a sudden there was a big column in the local paper…. saying this is happening…and "ain't" it a terrible thing. (I-7)

Another example of how difficult it can be for a board when one member exhibits bad behavior.

> We had a break-in, with a stolen big-screen TV that ended up in the hands of another board member…as in buying it as stolen property….Turns out that he did tell us that he thought it was damaged and he replaced it but we haven't seen him since. He hadn't shown up in probably 10 months to any in board meetings. (I-19)

Whether out of embarrassment or fear of prosecution the fact that the individual never showed up again did save the board from having to take action on something controversial.

There were other participants who talked about how personalities and disagreement created tension and caused discomfort for some.

> And it got stressful. There was so much tension between the president and a couple of the vice-presidents. It's like the gang of three that really knocked heads with the CEO, and you know, there'd be snotty little comments thrown out. (I-6)

In another instance the board chair's angry outbreaks caused the interviewee to speak up.

> At the beginning of this board the chair was a woman who was really a strong willed control freak. And constantly injecting her reactions—actually getting into some pretty intense shouting matches. And I really took it upon myself to say "look, this is how this works, guys. If you have differences we can figure it out. But if you air them in the public like that the rest of the board is saying 'I don't really want to be a part of this.'" (I-11)

Separating the behavior of a dysfunctional individual from that of the board as a whole brought some understanding for a participant. "Normally when you got a loose cannon in an organization like that, do negative things from what the majority of the board supported, I mean that's just bad behavior" (I-7).

Probably the most elaborate example of how things can go wrong with a board involved a very difficult situation that resulted in anger and negative consequences for one member of a board who did not come through with a promised vote on a major decision.

> And when it finally came down for a vote…there was like six, seven, eight of us who voted against it and [Fred] didn't….Well there were some angry reactions…. I remember [another board member] telling me wait till he asks me for money and [Fred's organization] he's not getting it….He was a turncoat in his vote and so some people were angry at him because when you counted the votes you counted him as a no. (I-3)

There were boards that were able to successfully deal with disagreement. In one case there was a perception among the members that healthy disagreement was part of the job.

> There's never heated discussions. There's animated vigorous but open discussion, because what's held all of this together is the, without regards of philosophical differences, the board has huge respect for each other as individuals. And so there's not a belief that there's reason to be suspect of anybody on the board. (I-10)

Another board got better as a result of a similar discussion that took place at a board retreat:

> One of our board members asked to speak up because she was very frustrated with something.... for the most part, we feel that one, we can say things, that perhaps in the past could not say, and that they won't be held against us, at least by most people. (I-14)

Bad board behaviors, especially those that cause discomfort, influence individuals' willingness to serve. In terms of crisis, they have the potential to be not only the root of the crisis but to obstruct a board's ability to recognize that the organization is on the brink of disaster. When boards are comfortable dealing with disagreement decision making has a better chance of being effective.

Table 4.4

The Tangled Web Context

The Tangled Web Context
Individuals on the board
Board as a group
Policies and processes
Limited time and information

Policies and processes. Board policies and processes are the third characteristic of context as summarized on Table 4.4 for the *Tangled Web*. The relative effectiveness of the policies and procedures varied considerably according to the interviewees. "Well, as far as the how it's written on paper yes, it's very clear…but in reality it doesn't necessarily play out that way" (I-4). While it is not uncommon to find less experienced board members unsure about how one goes about serving on a board of directors, the organizations discussed were all fairly sizeable in terms of revenue and other assets. Few had formal orientation for new board members or continuous training required for all. Many had a formal board evaluation process with clearly defined expectations for members, but in several cases that definition was primarily with regard to fundraising. All had defined bylaws and policies but not always complete or effective or even understood. One individual currently serving as the CEO of a nonprofit organization discussed previous experiences and the way they were handled through policy.

> Policy governance if I remember correctly took the position that normally in writing a job description for president, you told the president what they were empowered to do. Under policy governance, you turn that around. In policy governance you told the president what they were not allowed to do. And anything beyond that then, was left to the discretion of the president. (I-16)

Another talked about accepted practice and the lack of impact of official board policies and procedures. “You had some people who really had no idea what you meant by bylaws or whatever. They were going to vote “yes”, they were going to vote with the chair” (I-3).

Virtually all of the boards discussed in detail had a defined committee structure, and some committees were quite powerful. Executive committees often made the major decisions and then shared with the full board for a vote, or not.

> Decisions are made outside of the board meeting, and some executive committees are very, very powerful. To me they should be a steering committee, setting the agenda, making sure what needs to be addressed gets addressed, not, and even though most of the by-laws say they can make decisions between meetings if they need to, seldom is there that kind of urgency that you cannot bring something up to the board. But I think what happens is… a lot of board members feel disengaged. (I-14)

A new board member described an almost unbelievable situation when he raised a question in a board meeting:

> There were these blank looks from the executive committee. Because the executive committee had sat down and had a lengthy conversation about how they were going to manage the investments of the board, but they had never put it in writing…. And we were sitting there listening to this conversation about an investment committee and about the investment policy and I was the only one that raised my hand and said “can somebody share that with me. I’d really like to see what we’re doing here.” (I-16)

An investment policy, a policy that would seem to be fairly significant to a board of directors and to the organization it governs, had been discussed and apparently agreed on by the executive committee, but there was no documentation, only the scattered memories of the individuals who had participated.

Other problems surfaced when a small group made decisions and then failed to adequately inform the entire board about the decisions.

> They had 16 vice presidents who served on their executive committee. And they made all the decisions, and then they kind of informed us. And sometimes they would surprise

> us, you know like I always felt surprised “Oh my God, we’re $3.5 million behind budget.” (I-13)

It was not always an executive committee. In other situations there was just a small group of board members, not necessarily the executive committee or if so only a portion of it, that seemed to control the full board.

> When they chose the new CEO, when they chose Jack, a few board members chose him so it was…basically I would say probably one of those traditional boards that a few people made all the decisions and it was very hard getting into the mainstream of that. (I-3)

Another interviewee discussed the small group unofficially controlling the board: “I think everyone was pretty disgusted with them. But, you didn’t speak up. I mean the only one that challenged them was the fellow from out of town” (I-8). A woman related a similar story of small group board members: “and they were running it, the good old boy way. They were making the decisions, or they thought they were making decisions and then they would present it to the board” (I-14).

While term limits can be a much debated topic on boards, an absence of term limits can lead to the creation of a group that fails to actually govern.

> The negative to having term limits is that the [CEO]… can stack the board with all their people. And that happens frequently and people profit on boards, there’s never anybody on that board that says no. There’s never anybody on that board who has institutional history. They have allegiance to the president. (I-15)

The ability of a group of individuals to operate as an effective board depended on how unique experiences and perceptions of group members allowed them to interact and process the information available. Board policies and procedures should, but often did not assist in that process.

Limited time and information. The fourth and final characteristic in the context of the *Tangled Web* as summarized on Table 4.4 is *limited time and information*. "Like many nonprofit boards, they are at the mercy of the information provided by the management" (I-5). The availability of relevant information was often a concern to board members. Nonprofit board members are for the most part outsiders who have no access to anything but what is provided to the board for discussion. Some felt too much time is spent reporting details when "all of this information can be already exchanged before we get there" (I-4). Providing the information ahead of time would require members to invest more time to prepare for meetings and increase the time required to serve.

All board members did not have access to the same information in many of the stories related by participants.

> Some of the work of the board is not done in full view of the entire board. If you ask me the question 'were there some side deals', I suspect there were; did I know that they were going on, I didn't. But I'm sure there were side deals. (I-3)

The same individual goes on to further explain:

> There's always a chosen few who had all the information. The CEO was the type of person who wasn't always telling the board what was going on. And he was only sharing things with a few people and that was making board members very, very upset. (I-3)

Another interviewee described the information available to board members. "So there was a lot of cloaking, there was a lot of secrecy, a lot of hiding" (I-1) and that prevented the board from recognizing signs of trouble.

Time was at a premium for most boards. While the board members interviewed recognized the importance of the board's actions, they were also quick to mention the extraordinary amount of time required in an organizational crisis. While those interviewed for the most part acknowledged the pride they felt when efforts to turn the organization around were successful, most also acknowledged that the time and sometimes personal costs involved in doing so were overwhelming.

Lack of time and inadequate information increase the number of tangles in the web and make *monitoring organizational performance* next to impossible for many boards. Along with the *individuals and the groups* they comprise and the *policies and procedures* in effect, time and *information constraints* are the characteristics of context in the dimension of the *Tangled Web*.

Conditions. The context of the *Tangled Web* addressed nonprofit organization boards that ultimately faced crisis, the conditions of the *Tangled Web* impacted actions or inactions of the board during the crisis (Kools et al., 1996). Conditions in the *Tangled Web* dimension as summarized in Table 4.5 include the categories: *finance and fundraising, CEO performance, strategic direction*, and *environment*. Each is discussed in detail.

Table 4.5

The Tangled Web Conditions

The Tangled Web Conditions
It's about the money
CEO issues
Changing directions
Environmental issues

It's about the money. The importance of finance and fundraising was noted by a number of participants who cautioned that in a nonprofit it's always about the money**.** The first condition in the *Tangled Web* is *its about the money* or more traditionally finances and fundraising. Finances were consistently cited by interviewees as the primary challenge in nonprofit governance. "Since I've been on the board, we've had significant ups and downs and we have always had financial crisis" (I-13). Another participant brought a somewhat different perspective.

> And the biggest thing you deal with, probably more than anything else is budget. Everything else centers around that. I don't care who the president hires, fires for what reason, okay, but I do want to know how he's expending funds. Are we providing the services that are appropriate to the community, and using our resources correctly? And so many times I think the failure of the board is not having enough insight into the budgetary process. (I-12)

One of the interviewees succinctly explained how it all comes down to cash. "The most important thing about cash is when you run out of it, you're out of business" (I-17).

It's about the money, but that adage about running out of cash did not necessarily hold up in nonprofits. Several interviewees described organizations that had gone on for years of "robbing Peter to pay Paul," always finding a way to pull out of financial shortfalls until something major happened. Having adequate resources and a history of success allowed an organization to cover mistakes and failures with minimal board interference and few questions, a real plus when an opportunity to pursue something innovative presented.

> So when they wanted to do [a project] or they wanted to do anything new or being on the cutting edge they had the money to do it, which is a real difference when you're on the board that can absolve any mistakes that are made. (I-3)

When finances get tight, however, boards tend to pay more attention.

On many of the boards discussed, fundraising was viewed as a major responsibility of the board. Many had a price tag for serving. The "give, get, or get off" mentality often determined who was invited to the board and who was reappointed when terms were complete. In some instances interviewees spoke of specific amounts required ranging from $2,500 of give or get per year to $25,000 a year in personal contributions.

> I don't have money but I know people with money. (Laughs) I'm a country club honey. I have been around…I tell my friends who go on a board…you go on to a board they can't ask you for money before you go but get prepared when you get there. (I-2)

Another experienced board member warned of the same thing. "That means asking people for money, and if you're the, least bit squeamish about that, don't go on" (I-6).

Interviewees with give or get requirements accepted the reality of taking advantage of friends and associates.

> And on some level you use so much your personal relationships that try to hit up and during the day we all end up hitting each other up. Right? You pay for mine and I'll pay for yours. So I always feel…that there's sort of this zero sum thing that goes on. And we all kind of go to each other's events and we see each other at the same events and I'm never sure what progress is really being made. (I-11)

The problem identified by some participants was while they were expected to raise funds they had little input into board decisions. There were reports of how much was raised, but providing guidance or even input on how the money was spent was often not on the table for discussion with the entire board. As on interviewee described it "they loved me. I could raise $150,000, but I knew my opinion was not important" (I-12). Eventually that caused a sense of frustration for some.

Successful fund-raising efforts in one instance served to mask a conflict of interest. The interviewee related the story of a fellow board member who personally did significant business with the organization. "I think it was under the table… there's something, okay that never came to the board meeting…his wife has raised a million dollars as a volunteer.… The way I look at it…its about the dollars" (I-3). The same interviewee goes on to explain why this can happen

> And I think that's what happens in boards, if you don't have people do the right things then you have this happening. Yeah and having enough people who would stand up for it...I mean you have a lot of people on the board who would do the right thing, but they're just tired of fighting the issues or whatever. (I-3)

On the other hand, failing to contribute, financially and otherwise, was mentioned as a criticism on some boards.

> If they're not willing to write a check, I don't want them. I'm sorry, but if, whatever they're able to do, but they have to be financially committed. If it's $25, it's $25. I don't care. But they have to make a financial commitment; they have to make a commitment to promote the organization. (I-17)

CEO issues. The second condition of the *Tangled Web* summarized in Table 4.5 is *CEO issues*. Whether the individual in charge of a nonprofit organization had the title of director, executive director, president, or chief executive officer, just as in the for-profit world power issues were involved. Agency theory places the CEO as agent for the board. While in theory the CEO reports to the board it often seemed like it was the other way around particularly with long term CEOs who had established relationships and a strong reputation in the community. CEO issues were identified as contributing to the crisis in 14 of the organizations. Terms like a "foundation darling" or "a God in the community" were used by interviewees to describe the organization's CEO. Those aspects of CEO reputation along with the egos involved made dealing with executive problems extremely difficult.

Boards tended to rely on the information and recommendations of the CEO in conducting the organization's business. "I think what our board runs a risk of and is true with many boards is…putting complete faith in what the CEO tells us because she's the only person in that board meeting from inside the organization" (I-20). Issues with the CEO ranged from personality and ability to relate to board members to a tendency to spin the facts to incompetence to malfeasance. CEOs who ignored board members who asked questions or who over reacted to member concerns limited a board's ability to recognize that a crisis exists.

> I wanted to raise the question. I wanted more information. And he was very discomforted by that because in his heart and in his background he's a political guy. And he was not used to this. Not used to this—did not like this. (I-1)

An individual who had served as board chair with a CEO unfamiliar or uncomfortable working with the board described the CEO:

> This CEO was, spared no, we'll put it this way, was very intemperate in expressing displeasure with board members who didn't agree with the CEO, and when I was the chair, wanted those people off the board. "We need to figure out a way to get rid of blank blank" and I said "because they disagree with you?" "Well, yeah, that's disruptive, that just brings the board into chaos." And I said "You know that's what board members are supposed to do. They're supposed to be the alternative voice. If we got rid of all the alternative voices, than we're going to be down the road with blinders on and that is not going to be good." (I-10)

Another board member brought in to help clean up a serious financial situation described the CEO who was let go as "well-respected, but he drove it into the ground. I mean there's nothing you can say other than that and that's the sad part… I liked the guy. It was just one of those things" (I-17). Interviewees who had served on for-profit boards sensed that nonprofit boards tended to rely more on the CEO to tell them what to do than for-profit boards.

Changing strategic direction. The third condition in the *Tangled Web* involves the strategic direction of the organization. "The main thing that board members should be looking at is not their routine, its where is this organization going to move in two, three, four, five. What are the strategic positions and moves that these organizations should be" (I-3). Boards that did it well thought beyond the usual concerns of making it through another year. Boards that tried to anticipate future needs and think in terms of changing direction sometimes faced controversy, something that made boards quite cautious.

> It had been talked about at the board level for, I'd say seriously for a year, but it was done quietly. It was not something that we made public, because I think we felt that it probably, there could be a negative reaction, and we didn't want to get people into a panic if we weren't really going to go forward with this….It got to the point where it

> seemed like it was going to be the right time to do it because things were in a good way for the [organization] and that's the position we wanted to be in to make such a significant change. (I-7)

The downside was that the board was then faulted for a lack of transparency.

While setting strategic direction is a responsibility of the board, in many organizations it was actually the CEO and staff who took on that responsibility with the board merely affirming their direction. CEO's are the experts in the field and board members tended to be more than willing to rely on the CEO's judgment particularly in organizations that had a history of success.

Environment. The fourth and final condition of the *Tangled Web* summarized in Table 4.5 is the environment. Community characteristics, population shifts, and demographics change over time, and some organizations had trouble understanding the potential impact on the organization. Facilities and locations became liabilities and created major problems for some organizations. One interviewee described the organization's predicament: "so now this building 25 years later while gorgeous becomes an albatross" (I-13). Another interviewee described the impact of location on the ability to meet the mission as "losing our franchise" (I-14). The same individual goes on to explain how the location impacted the organization's ability to reach the intended stakeholders because of population shifts in the community.

> We had large concentrations from the east side, but there was a growth of population…to the south and to the west, and…the thought of them coming and literally not just driving downtown, but driving into inner city, eastern side of [the community]. (I-14)

Clients who moved to the other side of town were unwilling to drive back through town to what was perceived as an inner city location, but several board members were strongly opposed to relocating to a more central location. Changing the location proved to be a painful decision particularly for those board members who valued tradition. In the end the move not only rejuvenated the organization but led to growth and considerable success.

Processes. In dimensional analysis primary dimensions are often part of the basic social processes that intersect with the core processes. The dimensions weave together with some unique and some overlapping categories. Here in the core dimension of the *Tangled Web* summarized in Table 4.6 processes include *monitoring conditions*, *Recognizing, Responding* and *Stepping Up*. *Monitoring conditions* will be discussed here. The processes of *Recognizing, Responding, and Stepping Up* each rise to the level of primary dimensions, and will be discussed in more detail in the section on primary dimensions that follows.

Table 4.6

The Tangled Web Processes

The Tangled Web Processes
Monitoring conditions
Recognizing
Responding
Stepping Up

Monitoring. A board's ability to *monitor conditions* is the next piece of the *Tangled Web* dimension. *Monitoring conditions* is the first process in the *Tangled Web*. Traditionally boards are responsible for monitoring the performance of the organization to ensure the mission and needs of stakeholders are being met. Duties for which the board was responsible according to interviewees and consistent with governance theory included *monitoring* the financial position of the organization. On many boards that included a substantial commitment to fundraising. Boards also hired, monitored, and fired the CEO and set strategic direction for the organization as well. These activities required board members to at least be aware of the external environment in which the organization operated.

Monitoring was complicated by the board's dependence on the CEO to provide the information necessary and by the lack of universally understood measures of acceptable performance. Absent the profit motive, performance in nonprofit organizations was far more difficult to evaluate. While board members were quick to point out that they held the CEO accountable, out of necessity they relied on the CEO to tell the board what it needed to know. Board members seemed to think that nonprofit CEOs preferred it that way and time-crunched boards of volunteers were often more than willing to go along with that preference. Greenleaf (1975) indicates that nonprofit boards are primarily ceremonial, and many of the interviewees' comments supported that. CEOs had the ability to limit the information the board received to that which confirmed whatever message the CEO wanted the board to have. As one interviewee explained about boards, "they, like everything else, evolve over time to reflect the CEO" (I-1). Long term CEO's amassed a lot of power, and that power seemed to impact how effectively a board monitored.

Summary of core dimension. Trapped in a web—that is the way that most boards appear to function a lot of the time. These are just a sampling of the stories. Every participant was able to relate multiple examples of how the things that go on between and among members both within and outside the board room limited the ability of any board member to fully understand the signals warning of a potential crisis. This complex maze of what is right and what is wrong, what is expected and what is ignored, who has a say and who does not, and who is in and who is out is influenced by *skills, experience, and abilities of the individuals* involved and how they function as a *group.*

It is within this *Tangled Web* of perceptions and behaviors summarized in Table 4.1 that boards attempt to function. For that reason the *Tangled Web* serves as the core dimension for boards facing crisis, providing not only perspective for the other primary dimensions of *Recognizing, Responding* and *Stepping Up*, but also serves as context and defines conditions. In good times serving on a nonprofit board was a positive experience and boards were willing and almost eager to just do the minimum. Vigilance requires time and energy that boards and organization leadership often lacked. The *Tangled Web* provides a frame for understanding how a board misses signals that the organization is headed for trouble and why the board often fails to get involved until the organization is on the brink of disaster.

The *Tangled Web* processes of *Recognizing, Responding*, and *Stepping Up* serve as the primary dimensions for explaining the ways that board members experience and make meaning of a crisis in the organization they serve. Each of the processes will be explained in terms of their dimensional matrices in the next sections followed by a discussion of the outcomes of the core dimension.

Primary Dimension: Recognizing

The primary dimension of *Recognizing* a crisis takes place within the context and conditions of the *Tangled Web*. The processes involved in the *Recognizing* dimension are *asking questions; hiding behind the curtain; and acknowledging signals.* The ability to detect the signals of trouble determine the outcome of *Recognizing,* whether the board remains *Tangled within the Web* or moves to its outer edges where signals are clearer and decisive action to solve a problem becomes possible. The *Recognizing* dimensional matrix is illustrated in Table 4.7.

Table 4.7

Primary Dimension: Recognizing

Context	Conditions	Processes	Outcomes
		asking questions	moving to edges of the web
	the tangled web	hiding behind the curtain	staying tangled within the web
		acknowledging signals	

Context and conditions. *Recognizing* the signs of crisis takes place in a *Tangled Web*, wrapping in, out, over, and through in a way that can obscure problems. The composition and experience of members as well as how they related to each other and to the CEO impacted the way a board received and interpreted information about the organization. Detecting signals that *it's about the money*, that there are *issues with the CEO*, that there is a need for *changing directions*, or that there are *environmental issues* should on the surface be rather straightforward. Reality was far more complex and often significant periods of time were required for a board to determine something was wrong. Financial information can be difficult to interpret under any circumstance. Performance issues with a CEO who had become a friend to many on the board were easily ignored. Changing strategic direction was often painful and prone to creating controversy. All were framed within an external environment that could not be controlled. Meeting time was limited so that debating how to respond to a controversial or poorly understood issue was easy to avoid. Board size as well as board processes and norms that favor congeniality over conflict complicated matters even more. "Wait and see if it goes away or fixes itself" was a tempting response, but issues ignored for long enough quickly escalated to a full blown crisis. Making meaning of the available information was neither simple nor straightforward within the web.

Diversity of thought improved the chances that a board would detect and recognize signals that something was not quite right. Fear of micromanaging or interfering in operations, however, inhibited that recognition. Unfortunately in this day and age when boards are under attack for failing to detect problems the line between interfering and fiduciary duty was thin and not necessarily straight. “If we don’t know where that line is about micromanaging and over speaking and establishing policy we might miss something” (I-20).

Another interviewee expressed concern about the need of a board to understand fiduciary duty.

> For some reason they felt that the fiduciary responsibilities of the director in a nonprofit were somehow different than the responsibilities in a for-profit. While this same crisis might have caused more alarm in a for-profit company, it didn't seem—and I've seen this happen time and time again—it didn't seem to raise the level of concern that it would have justified. (I-5)

When in doubt, board members with a concern about fiduciary duty felt that even when there was perceived pressure to ignore a situation a board member had an obligation to express concern. “Well I think if there’s issues, I don’t think for the sake of speaking up but I think as a board member that you have to stand up for certain issues” (I-3). An experienced board member talked about how to develop that ability.

> I think over the years you learn how to do it without being offensive… I think you have to allow people a voice and not get angry about what they say, understand what they’re saying….You’ve got to keep people in power who won’t agree with you. That’s so important. You don’t become really good at what you do when you’re around yes people. It’s the people who give you a hard time. (I-2)

The context and conditions make the recognition of crisis a challenge for many boards.

Processes. The processes involved in the *Recognizing* dimension summarized in Table 4.8 include *asking questions, hiding behind the curtain, and acknowledging signals*.

Table 4.8
Responding Processes

Responding Processes
Asking questions
Hiding behind the curtain
Acknowledging signals

Asking questions. Questioning or even speaking up in meetings was not always an accepted practice for board members even though the right questions can actually move the board to the edges of the Tangled Web where more effective action is possible. There was considerable pressure to make sure that meetings were brief and progressed efficiently. In many instances the CEO or a committee had already made the decision and the full board was expected to affirm the decision. Asking questions slowed down the meeting. Questions were viewed as trouble and that led to questions about how board members developed the requisite understanding of a situation sufficient to make good decisions.

> They didn't want me there because I was asking questions. Because every time something would happen I would go do research. I was on Guidestar, I was looking at all these nonprofit leadership things saying this just doesn't smell right to me. This doesn't, well aside from the fact that I would ask those question they had absolutely no problem using my name, my title, and my affiliation on letterhead. And my attitude about that was if I represent that organization I need to be able to say to the president of my organization if some sort of financial scandal erupts I did everything I could to try to bring this to light. (I-1)

But sometimes individual board members, particularly those new to a board, were afraid to ask questions. "You know we know and yet we are afraid to bring it up….we've been afraid to question and we know better" (I-18). Some interviewees were quite reflective about what they missed or might have been able to do had they acted sooner.

> And as the new board member I think I should have been asking that question. So I had the question in my mind but I never asked it. I think it was one of those things like that I assumed that it was being done a certain way which is the way that it should be done and I just didn't ask. I feel badly about that. Because I might have missed this by at least six months you know it could have been that we'd seen something a little bit earlier. (I-20)

Even when a new board member was asked what he/she thinks, the individual may have felt that the question was intended to reinforce a decision and responding honestly was fruitless. Distance and hindsight provided perspective.

> The executive committee had made all the decisions along the way. And we just kept watching, they used decline, decline, decline, decline decline, and we knew we were going to close our doors. I mean that was it. There was nothing, nobody was passionate…. Nobody was passionate for the institution and no one really cared. (I-14)

Questions were not always productive and based on other experiences that may have biased individual board members. "People were asking questions, but the discussions sort of would really get side tracked off of the agenda" (I-17). Another pointed out "there's other people that like to hear themselves talk, and they'll ask every question in the world" (I-4). Even when the right questions were asked, responses did not always provide board members with adequate information. "I think what our board runs a risk of and is true with many boards is in putting complete faith in what the CEO tells us because she's the only person in that board meeting from inside the organization" (I-20).

Even more troubling were the consequences for board members who posed difficult questions. Marginalizing the questioner was a common tactic for responding by a group or *individual in power, and it took a strong individual to not be intimidated.

> The president of the board did not appreciate it at all. She took it as a bucking of authority….When it became clear to me that there were issues that needed to be

> managed, then I rebuffed, I rebuffed a very specific outreach by the board chair to step down from the board who basically challenged me in an email to me copied to the CEO that if I was finding such difficulties working with them that perhaps it was going to be time to step down, which I promptly copied to the entire board and said it is so unfortunate that this kind of conversation goes on. I am very happy to be involved with this organization. Have a nice summer. (I-1)

Too many questions actually led to a sort of coup and ultimate failure of an organization when a small group of the board who did not like questions or comments created a new board, to ensure that the board remained deeply embedded within the *Tangled Web*. In one situation it signaled the end.

> They wanted it their way, or it was no way. And so that's what happened. And so to make a short story long…they weren't pleased and they somehow, they got rid of the CEO….They took over. I think three [board members] took over and they were the people in charge…and at that point they wanted new board members, and so they got rid of all of us, too. And even board members that had been on there….There was all this stuff in the paper, the [organization's] going to survive, and I think that lasted three months and then it really went downhill. Those board members, the new board members, started to scatter, and then it was just all over shortly after that. (I-8)

In another situation when the board was reorganized after a difficult merger decision, a board member who had asked questions believed that was behind the selection of those who would remain on the board. "A lot of people who spoke up basically…people like the only black female we had…was eliminated, people who had been on there years and years and years, the captains of industries they were eliminated, I was eliminated" (I-3).

Asking the right questions, however, can push a board to the edges of the *Tangled Web* where the opportunity for an effective response was more likely.

> There were people who had questions, as to why undertake this, there was good discussions, and the issues that were brought up, I think that by the time we took the vote and there had been enough discussion and enough understanding of how potential and negative things people saw about it were going to be addressed. (I-7)

The biggest problem inside the web was that all of the relevant information never came out when those who questioned were discouraged or in any other way shut down.

Hiding behind the curtain. When there were questions about a potential crisis situation board members sometimes felt like they were working with the wizard of Oz, always wondering what was *hiding behind the curtain,* the second *Recognizing* process as summarized in Table 4.8. "The president never wanted the board to have "bad news" which in our world we'd say are accurate financials. So there was a lot of cloaking, there was a lot of secrecy, a lot of hiding" (I-1).

Sometimes there was just an overall lack of pertinent information available raising questions about how the management was able to efficiently run the organization. "There were no financial statements…it was no profit or loss statement… indicators to me that something was wrong" (I-19). Another talked about attempting to get information from the board treasurer for reporting purposes. "It was like impossible to get these records, and they would send the wrong thing, the wrong years, it was just I was always really skeptical" (I-8).

Hiding behind the curtain was almost a sign of denial in the situations related by interviewees. It was easier to accept the explanations provided and assume they must be valid rather than *Recognize* and *acknowledge* a crisis. It enabled the board to keep on with business as usual. As long as there was a plausible explanation a board could hope a problem would eventually work itself out.

> The first couple of years that they saw the statements, and of course the first time that management says we're going to replace all of this and do all of these things, and then the next year it hadn't happened. (I-5)

The same interviewee talked about another organization in crisis during his board tenure. The board was unwilling to deal with the real issue—the competence of a likeable CEO.

> We had multiple personnel problems….And this happened not once but repeatedly… everyone wanted to give this person every opportunity, every chance. They wanted to restructure so that the lines of reporting were different. They kept hoping that we could solve the problem with an organizational chart. (I-5)

One of the most difficult problems that a board faced was the troubling performance of a long-term respected CEO. In those cases boards had a tendency to accept explanations and excuses that would ordinarily be deemed questionable. An interviewee brought on to the board to help turn the organization around after the CEO had been dismissed explained how the personal relationships held the board back.

> On the one hand, they had tremendous respect for him, but on the other hand, they could see that things weren't being done properly. The [organization] began to deteriorate…to generate really large losses every year. The foundations that had supported the [organization] sort of abandoned their contributions. The physical plants started to decay because there was no money to really keep it up. (I-17)

But the interviewee seemed just as conflicted. As an experienced CEO and board member himself he found it hard to believe that the board could deny the situation for so long. On the other hand he also knew the former CEO and in a comment that indicated tremendous insight and honesty acknowledged "I'm not saying that I wouldn't have done the same thing. I don't know" (I-17).

Acknowledging signals. Effective boards did question troublesome signals. The challenge, the thing that could drive the board to the outer edges of the Tangled Web, was to acknowledge the signals and understand that some action is necessary. This third process of Recognizing as summarized in Table 4.8 often involved committing what has been portrayed as the capital sin of board service, interfering in operations.

> As a board we need to feel free and open to ask questions. Even if they're, even if it's just part of the discussion…better to step into operations and have the discussion and realize we need to step back than to never have the discussion….What worries me is if we knew, if I knew clearly that there was potentially even [the issue] that was reported to

> me and I didn't do anything about it then I felt like I was not holding up my responsibility as a board member. (I-20)

In many of the stories it took the operational involvement of board members before the board recognized how serious the situation was and respond accordingly.

Acknowledging issues may not be enough to save an organization dealing with a crisis that threatens its existence, but when it led to a firm understanding of the situation the ultimate result was less painful. Changes in the community or environment decreased the need for provided services or made the cost of the services provided no longer justifiable. A board that recognized that was able to phase out in a way that minimized pain for all involved.

> We were essentially robbing Peter to pay Paul as it was related to our expenses and our income. And we had a couple, we had three events throughout the year that generated revenue to give us a batch of revenue… and we could defer the payments to our suppliers. But we were just kind of pushing the rat down the snake. We knew at some end it was going to…come out the other end…the whole board saw it coming. (I-4)

With this recognition the board planed a systematic phase out of the organization in a way that was equitable and minimized negative consequences for all stakeholders. *Recognizing* the need to move on was not easy, but a board able to do so was able to change the perspective of the outcome from failure to that of a natural progression.

The processes of asking questions, hiding behind the curtain, and acknowledging signals often played out like a dance with questions asked, and incomplete responses accepted. Additional questions were dismissed as irrelevant and questioners who persisted were often marginalized for asking. When boards ignored the signals or avoided the discussions they remained confined within the web. It was only when one or more members continued to push the issues and insist that the board acknowledge that problems exist that a board could move to the outer margins of the web. While moving to the edges of the web did not ensure a positive outcome, accepting that a crisis exists was the first step. A board must acknowledge that the issue is real**.**

Outcomes. The *Recognizing* dimension has two potential outcomes: moving to the edge of the web, and staying tangled within the web. *Recognizing* outcomes influence the ultimate outcome for the organization. Boards that asked the questions and acknowledged the signs of crisis were more likely to move to the outer edges of the web where chances for successful *Responding* increased. Staying tangled within the web, failing to recognize the signals, ultimately results in a failing organization.

Summary of recognizing dimension. In the end it was the ability of a board to recognize the signs of crisis and to acknowledge the issues and need for action that determined whether an organization was able to recover. Seeing the issue clearly was not likely to happen deep within the web and boards that could not get through that were at a disadvantage. At some point a board needs to move out of the tangled maze to the outer edges of the web into the responding dimension to determine what comes next.

Primary Dimension: Responding

Recognizing signs of an impending crisis sounds easy, but for most boards it was not. The ability to untangle some of the issues and wiggle out to the edges of the web where escape was possible was critical for an organization to thrive. But even getting there did not guarantee success or even the opportunity to respond. The *Tangled Web* defines context and conditions for the dimension of *Responding*. Processes for Responding include *Stepping Up; meeting immediate needs;* and *changing—finances, CEO, or strategic direction.* The outcomes of the *Responding* dimension are *failing; muddling; or thriving organization*. The process of *Stepping*

Up had such a substantial impact on the outcome that *Stepping Up was* raised to the level of a primary dimension. Details of the *Responding* dimension are summarized in Table 4.9.

Table 4.9

Primary Dimension: Responding

Context	Conditions	Processes	Outcomes
		stepping up	failing organization-never gets out of the tangled web
	the tangled web	meeting immediate needs	"just existing" or muddling organization - steps out of the tangled web for short term fix then slides back into the web
		changing finances, CEO, strategic direction	thriving organization- leaves the web behind with sustained long term solutions

The primary dimension of *Responding* can take place within or outside the *Tangled Web* but the more deeply embedded within the *Web,* the less likely the outcome was satisfactory. Responses ranged from denial and doing nothing, to a quick fix that put a band aid on the injury, to systemic changes in the way that the board and the organization functioned. First responses generally addressed the immediate needs but sustaining the change and committing to long term solutions took time and those efforts were difficult to sustain.

Deciding how to *Respond* can take place within the web but the deeper in the *Tangled Web* that happens the less likely efforts will be successful. Decisions made within the web were likely to be confusing with little clarity surrounding the issue and no real consensus about what action was necessary. The result is likely to not just be a mess but rather result in the ultimate failure of the organization. If a board is able to move at least to the outer edges of the *Tangled Web* with some agreement as to the need for action, potential exists for someone or some group to demonstrate the final primary dimension of *Stepping Up*. *Stepping Up* and out of the *Tangled*

Web for making decisions provided the group a better chance for solutions that not only met immediate needs but began to address the systemic issues responsible for many of the *web entanglements*.

Processes. Responding is conditioned by the ability of the board to assume both short and long term perspectives. There is clearly a need to deal with the immediate issue quickly and effectively but in most crisis situations there is also a need to make systemic changes for the purpose of preventing the same situation from happening again. The processes involved in the primary dimension of *Responding* as summarized in Table 4.10 include *meeting immediate needs; changing finances, CEO,* and/or *strategic direction;* and *Stepping Up.*

Meeting immediate needs. In many crisis scenarios there was a need to act swiftly. As one interviewee stated quite succinctly "time is not your friend" (I-9).

> There is no perfect solution, you need to move. You need to make a change, whatever, you have to make some decisions and make a move. And it might be the wrong decision, but you need to move. You can't just sit, you know the expression you can't just keep doing what you were doing and expect different results. (I-9)

Removing a CEO who had misappropriated funds was a quick decision for one board. "I don't remember what the monetary implications of that was, but we decided that it doesn't matter whether it's 50 bucks or $50,000, we need to go another direction…it was very straightforward" (I-4). Few other situations resulted in such an obvious response.

When a board recognized that the organization was in a tenuous financial position that could not continue, things had to happen quickly to stabilize the organization. "Financially there were debts that needed to be paid. There were accounts that were in arrears. There were a lot of issues that had to be managed" (I-1). Another related a rather straightforward and prescriptive response.

> You need to immediately lower costs to more correctly reflect the revenues that you have. Secondly, if the current management is not 100 percent on board with that you need to immediately change them, and you need to bring in new management. And then you need a strategic plan. (I-5)

Just taking the quick and obvious action was not always enough.

Some organizations with a serious financial situation had the need to raise cash quickly. The actions necessary to do that were sometimes quite controversial.

> We had a lot of issues and a building that was aging very fast and was very expensive. To have your overhead of a million and a half just to keep the lights on, the heat going and all that kind of stuff when you could be putting that in [services] it was very hard to raise dollars from individuals….The sun and moon and the stars all aligned and we thought, "Well here we can free ourselves up by selling…and we will not have to worry about raising $36 million to renovate our building which we knew we could not do. (I-14)

Meeting the immediate cash needs through drastic actions solved the crisis, at least in the short term, but more had to happen to ensure long term success.

"There are good points about keeping an organization alive and there are bad parts; if you keep it alive then people doubt that you were in trouble" (I-1). The quick action in some cases just delayed the inevitable and prolonged the agony. "Sometimes you need to let things die….It was the right decision and the right course. Could we have done some things better? Yes" (I-15). The interviewee in this case as well as another interviewee from a different organization understood that the organization had outlived its usefulness.

Getting past the immediate crisis was critical, but in many of the cases discussed it was not enough. Short term solutions gave the organization time, but unless the structural and systemic issues were dealt with and changes made, organizations were likely to just "muddle" through, continuing to exist but never getting out of the *Tangled Web*.

Changing. Many solutions and systemic changes take time and patience. Those things were easier if there was some time and if the board was committed to keep the organization alive. It was also critical to have adequate leadership to see the solution through. With time, strategy, and committed leadership on the board and within the organization it was possible to take an organization from the brink to a thriving organization.

Changing is a critical process in the *Responding* dimension as summarized in Table 4.10. Whether the change was in the business model, the CEO, or strategic direction, it took time. Systemic change often requires adaptive learning on the part of the board, the CEO, and at times even in stakeholder groups. The *changing* process includes *changing finance; changing CEO;* and *changing strategic direction*.

Table 4.10

Responding Processes

Responding Processes
Stepping up
Meeting immediate needs
Changing finances, CEO, strategic direction

Changing finances. Financial stability is a goal that is difficult to achieve in the current environment. Nonprofit organizations are no exception. Many organizations are chasing the same foundation and grant dollars. The way out of crisis for many involved developing a sustainable business model and sound financial management.

> We needed time to change the business model. And we needed a little time to get that done….We cut the budget…by 50 percent. And we increased the number of [clients], and we improved the product, and did it for half the amount. So once we did that and we showed that to the foundation community, they became very supportive, and they stayed with us and have continued to stay with us as we changed the model from so heavy with

> foundations to a model that includes more corporate support and more earned income. (I-5)

Another told a similar story how a substantial change in business models resulted in a thriving organization.

> They were in serious, serious financial problems that was one of the boards that I wound up chairing and established a new financial model, and now they actually are incredibly profitable. So we rose from the ashes of that board. (I-10)

Other interviewees uncovered far more serious financial issues that had not been readily apparent to the board.

> I went in to talk to the administrative assistant and subsequently discovered that bills weren't being paid because he couldn't get enough grant money so we owed a whole pile of money. They had taken out a loan which I didn't know about, from the bank that loan could be called in at any time. So it was chaotic so he was let go….I wanted to fire him immediately but you know you have a board. You have to do things like that. So he was let go. (I-19)

These substantive changes in the way to do business take time.

> It's about managing expectations so… we established a bi-monthly finance committee conference call where the CEO and the finance guy would report to the finance committee. We established a finance committee…and I would always say "So what's your expectation for the year? Where do you think we're going to be? (I-17)

Another common solution for nonprofit organizations facing a financial crisis was merging or partnering with other organizations that have similar missions and goals. Multiple interviewees identified collaborative efforts with other organizations as an option that the board considered. "Either you gobble a little or you get gobbled" (I-3). "Nonprofits are really going to have a hard time if they don't partner because they do duplication of efforts" (I-2). Another experienced change agent explained: "one of the first things that I do is look for other organizations with whom we can collaborate or partner with or merge" (I-5). Partnering, however, requires the right mindset from the board.

> We all have a need and we all have an asset to bring to the table. And we are collaborators, to me it is a collaboration that plays on each of our strengths and where there's nobodies nose's are out of joint…there are no egos involved. So you sort of knock out all the things that can cause these things to go bad. (I-14)

Partnering or collaborating organizations were often attractive to foundations, and some combinations found their financial situation improved dramatically.

> We hadn't even rehearsed anything and our energy kept getting higher and higher and higher. Each of the three of us talked about it, the power of three and she finally put her hand on the table and grabbed mine and she said "I want this to be power of four. We can give you a million and a half." It all started and it's not even a foundation on anybody's radar screen. (I-14)

Increasing the ability to attract funders through some sort of collaboration was not necessarily enough to make things happen. Strong resistance from an individual or small group of decision makers railroaded completely viable solutions for multiple organizations.

> There was actually a guy from the state…comes in to actually talk about the consolidation process and how you do it and on and on and on. So we said sweet, we'll do that….The conversation went on for six months and finally, I guess, the chairman of the board of [the other organization] said no, we're not going to do it. So then the rest of the board said no, we're not going to do it. (I-4)

Another talked about how emotion adds to the issue. The individual was chair-elect when she resigned from the board of a financially struggling organization because the board was unwilling to consider an offer to merge or partner when approached by a similar organization.

> They were just going to continue year, after year, wringing their hands struggling to find enough money to make the lights go on….Here was an opportunity that was being given to them….It was my first experience watching emotion and this ownership of something that was intangible. (I-14)

Another explained his observation: "In most mergers of nonprofits the problem usually is the executive director, the management of the organizations, and the boards. Once the organizations are merged, it usually works very well" (I-5).

The bottom line is often the bottom line, even in nonprofit organizations. No matter how great the service or product provided was, without adequate funding an organization could not survive. Particularly in times of economic uncertainty boards must insure their organizations are operating in a fiscally responsible way.

Changing CEOs. The second kind of change, changing the chief executive, was probably the most difficult of changes for a board to make. Stories about how the board struggled to accommodate an executive that was clearly not a good fit abounded even when the problem was obvious.

> We want to give her another shot…She was angry. She was angry and she was uncomfortable and she really blamed….And even after we got the survey results back and the survey was not good and the comments were very strong and very negative about a divide between administration and staff within the organization she still pointed blame…that is what concerns me about her ability to see sort of her own problems. (I-20)

It was usually the board chair who had to deal with the dysfunctional CEO.

> I was chair of the board. We, basically my attitude was to mentor the person to a better place, better space….So what I did was make sure that my successor picked up where I left off. And his profession was as a consultant, so he was able to do that because that's basically a role and set of skills that he had. And at the end of his period of time, he and I, we're very good friends, we got together and laughed about how difficult that whole thing was. (I-10)

In neither of these cases was the board able to actually remove the CEO.

Another participant talked about how the board struggled with a similar situation but was totally unable to get the point across. "It was more, more getting frustrated and ringing our hands, not knowing what to do. How many more ways can we tell him he's got to shape up, (laughter) try things differently" (I-6)? Even when the decision was reasonably clear to all, there was a still a tendency to let the individual try one more time or find a way for the executive to save face.

> It was just very clear to the entire community that it wasn't working and we weren't moving ahead….We arranged a deal to save face for everybody. Because a lot of times the reasons you dismiss somebody are not that they're bad people, but that the fit's wrong, or the times are wrong and I think it's really important to help them move on to the next step. (I-15)

Even when the board voted to terminate a CEO, it did not necessarily mean it was over. One board went to what seemed to be extensive lengths to allow the CEO to save face.

> He did not believe that the board would actually fire him….We offered him a chance to resign. He turned that down rather impolitely and so the board…went into executive session, came out and on a 7-0 voted to terminate the CEO….His attorney meanwhile had a chance to talk with him…. The CEO volunteered to resign retroactive to an earlier date...we rescinded the termination notice and accepted his resignation. He had never been accountable and he was, in a sense that we believed that he should be accountable and that he should follow the lead of his board rather than leading the board. (I-16)

For any of a number of reasons even though a board recognized there was a problem with the CEO, responding in a way that would have moved the organization forward was often a problem. Cutting staff positions, while difficult, seemed to be much easier for a board than cutting the CEO who reports directly to them.

Changing strategic direction. Changing directions, the third change process in the Responding dimension, is not easy. Even engaged boards still have differences on what is an appropriate course of action. Stakeholders will not necessarily concur with the changes. How a board dealt with the differences impacted the ultimate resolution of not only the controversy but also how the organization came through the crisis.

One participant talked about how the board was dealing with a controversial current issue at the time of the interview.

> There's a philosophical split over tactics, but not over the expected results….What has happened is that every time the board responds and the [community official] comes up with some new set of questions or issues which of course feeds that part of the board that believes that it will never be satisfied because this is a political agenda. It feeds that belief, and that what I'd call a fester. (I-10)

Another related a story about an outcry from some stakeholders about a proposed change.

> So at the end of the day the board had the vote, had decided to open everything up and have a do over in terms of looking at the whole issue of a [strategic] change….It took about 10 months…to get constituents around to understanding why we were doing this. (I-7)

Unionized employees also had an impact on a board's perception of how far a strategic change could go. That kind of battle rarely ends on a positive note and negative consequences can impact the organization for a long time.

> And it led us to a position of almost going to strike. And that was for probably the first time in the institutions history, coming down to almost the 11th hour, and we thought about a lot of, and still is, discontent, frustration, confusion, irritation, anger, all those kind of emotional feelings that come out during a really incensed collective bargaining process (I-12)

Even though it had been several months since the situation had resolved, the interviewee admitted that there would be repercussions for a long time. He had no reservations about the decisions made by the board but recognized that there was a price for doing what the board believed was the right thing to do.

Outcomes. Outcomes for the *Responding* dimension as summarized in Table 4.9 are *failing, muddling, or thriving* organizations. A discussion of these outcomes follows the details of the *Stepping Up* dimension.

Summary of responding dimension. *Meeting immediate needs, changing strategic direction, changing CEO's, financial models*, and any of the other systemic changes necessary to get an organization out of a crisis, were painful processes. There are no guarantees these actions will ensure the long term success of the organization. It was the critical process of *Stepping Up*, so significant that it rose to the level of a primary dimension, most likely to be the difference between a thriving and a muddling organization.

Primary Dimension: Stepping Up

Stepping Up is the process and dimension that moves the board out of a *Tangled Web* into a space where clarity can be achieved. Board responses become better focused and directed toward long term solutions. That increases the chances for positive results and a thriving organization. It may be precipitated by a single individual, a small group of board members, or even the CEO. *Stepping Up* takes place within the context and conditions of the *Tangled Web*.

A discussion of the processes and outcome of *Stepping Up* follows and is summarized in Table 4.11. Following that is the discussion of outcomes for the *Responding* dimension.

Table 4.11

Primary Dimension: Stepping Up

Context	Conditions	Processes	Outcomes
	the tangled web	tipping point taking charge seeing it through sliding back	moving out of the tangled web

"I think you've got to have people who drive" (I-2). *Stepping Up* was probably the greatest differentiator between success and failure for a board facing an organization in crisis. Stepping out from the edges of the *Tangled Web* into a clear environment where a board can develop an understanding and come to agreement on the best possible response was the critical factor if the organization was going to emerge from the crisis and ultimately thrive.

Context and conditions. Boards caught deep in the *Tangled Web* could not get a big enough ladder to climb out. In the cases that ended well there was some individual or group of board members *Stepped Up* and took charge. Whether out of frustration or because a glimpse of clarity forced learning, someone *Stepping Up* tended to pull the rest of the group up the ladder. Outside of the *Tangled Web* the board was more likely to determine a clear direction and take action. Directors who could not or choose not to join in and learn were left behind.

Processes. The processes involved in *Stepping Up* as summarized in Table 4.12 include *tipping point; taking charge; seeing it through; and sliding back.*

Tipping point. There was often a tipping point that forced some individual or group to Step Up and acknowledge the crisis existed. The result becomes an overwhelming need to respond in a different way. One interviewee related the story about how the finance committee was making decisions inconsistent with the strategic direction that the finance committee had actually defined.

> They had made a decision in a vacuum, and that was when we got vocal. And it wasn't just me, although I was probably the most vocal….We still talk about it to this day, those of us that are still around. It was a tipping point. It was truly a tipping point…. They were making the decisions, or they thought they were making decisions, and then they would present it to the board. It was a very defining moment… we never did [anything] like that again. (I-14)

And then there were the times when the tipping point came before the board could get a situation under control. After studying the implications of a change in direction for over a year, the board of one organization voted to open the potential change up for discussion with stakeholders. Even though the vote was overwhelmingly positive someone or some small group of board members who voted against the change decided to go viral rather than wait for the roll out as the board had planned and they had promised.

> So then there's this big hue and cry. A lot of the [stakeholders] of course were pissed because they find out not through the [organization], but through, they're seeing it in on…the news….So we lost control of the message and then of course then the other thing that…was kind of interesting was the blogs….A small group who are dead set against the change start getting more stuff out, so we just completely lost control of the message. (I-7)

The board decided on a "do-over" that ultimately resulted in the same decision, setting the change effort back for ten months. Despite the delays a group of board members engaged and took control of the situation in a way that ultimately strengthened the board and the organization.

There were times when the tipping point had nothing to do with the board. Something critical in the environment changed everything and it became clear that the board had to act. "We anticipated it coming either the end of August or the end of September of 2001. And then something happened in September that pretty much shoved us over the edge" (I-4). *Stepping Up* takes over when someone takes charge and says this is what we will do next.

Table 4.12

Stepping Up Processes

Stepping Up Processes
Tipping point
Taking charge
Seeing it through
Sliding back

Taking charge. The board's decision to *take charge* of a crisis usually involved someone *Stepping Up* to rally the group. In a group made up of demonstrated leaders any one individual can decide to exert personal influence. "I sort of feel like, a lot of the things I've been the catalyst behind them. I put the thought into other people's heads about let's do this, let's change this and they're all coming together" (I-18). It was sometimes a group that took charge. One participant described the situation experienced: "it was a small group, again, at the end of the day it was a small coordinated group of board members, kind of, spent a long time battling the issue and getting the message out" (I-7).

Often the individual was the board chair. Unexpected phone calls got the attention of an individual who had reluctantly assumed the role of board chair after a series of difficult events.

> Within the first week I was chair I had a call from the chairman of every other [similar] institution saying we'll buy you, we'll take you over, we want you. There wasn't one chair that didn't call me….So what I knew then…was that I had something that was really valuable that they wanted, and I needed to convince the rest of the world that it's really valuable (I-15).

Any doubts about survival disappeared. The new chair reorganized the board into a functional governing body.

Other participants talked about how much of their own time and influence was committed to the organization once they made the decision to take charge.

> It became almost a full-time job for one thing because there were so many areas of that agency that were close to being illegal….You know going to the bank and begging…him, please don't call in our loan. You know whatever you need to do. (I-19)

Another told a similar story about using personal influence to get the organization turned around.

> I had to visit with all the foundations, and we had to come to agreement with the CEO to recognize that he was not the right person for the job, and for us to have a mutual parting of the ways, and so that he left with some dignity.…I'm still the chair or the president of the board, at least until I am certain that the model is working and that I have found someone that can take over. (I-5)

Communication was also identified by multiple participants as critical piece of dealing with the crisis.

> You need to communicate. People need to know what's going on, the good, the bad and the ugly. They need to know exactly what is happening. And once you start telling people what's happening, you can't stop, you can't say "Oh, we're okay now, we'll go back to not telling you what's going on". You can't do that. Once you start communicating, you've got to continue and be as effective at that as you can. (I-9)

The new board chair who personally committed to saving the organization when other organization chairs offered to take over talked about how she handled communication with the board.

> I made…a conscious effort to talk to every single person on the board about something, whatever it was, during this real crisis…. It is the hours and hours of communication time it takes by the chair to keep everybody in the same place. (I-15)

The second process of *Stepping Up* as summarized in Table 4.12, t*aking charge,* often required board members to take on different roles and relate in different ways to the organization's CEO. Those who were or had been CEO's themselves were quite clear about the respective roles:

> My role as chairman of the board…is to help guide the CEO, not be the CEO but help guide the CEO…. to have the trust of the CEO and provide counsel when requested. Or, and/or to offer counsel when you think it's necessary. (I-9)

Another interviewee with similar experiences had a similar approach.

> If there was an issue that had the potential to have a negative impact on the entire operation, I needed to know about it…. But it was not my role to manage the organization. That was the role of the [CEO]. My role was to coordinate the activities with the board and conduct the business of the board. (I-16)

Some worried that there could not be too cozy a relationship between board members and CEO's especially in the nonprofit environment where the CEO often has considerable input into selection of new board members. Two other interviewees, both with board chair and CEO experience, felt that the board needed to be clear about who was in charge. One talked about the board in general: "board members should be your colleagues but not your best buddies" (I-5). Another said "I think the chair of the board has to be the boss. You can be friends, you can be a mentor, but the bottom line is you've got to make sure things are running right" (I-15).

This became even more critical when the crisis was the CEO. One participant related the story of a CEO who tried to circumvent processes the board had put in place because of performance issues.

> At one point during this whole thing the CEO wanted to meet with me to help her develop her plan of action. And I said no…we have this process in place and I think that would be going outside of the process. That is what she's been accused of doing in many ways so I didn't want to be part of that…. She did not understand that. (I-20)

Whether the individual who *Stepped Up* was the board chair or another member, the support of the rest of the board was critical for the individual in the board leadership role.

> I always had great support from the board. I think they appreciated the fact that I was the guy who was out there taking the hits….I protected some of the other board members so that they could make…a decision that was not going to be influenced by, it was to be made for doing the right thing, rather than being influenced by any public opinion. (I-7)

Another talked about how critical an entire supportive board was during a crisis describing board colleagues as

> …a board that felt like they wanted and saw this as an interesting challenge that could make a difference and that they were willing to take risks and they weren't afraid of failure….I felt very supported, but we were all nervous. (I-15)

The individual who *Stepped Up* carried a heavy burden through the crisis. The challenge of keeping the board and CEO engaged and moving in the right direction was rewarding to those who *Stepped Up* but often at a huge cost personally. One thing was certain. When the individual who took charge was not the chair at the time, he/she ultimately became the board chair.

Seeing it through. Someone *taking charge* was critical to getting a board out of the *Tangled Web* and into the process of getting the organization back on track. It was time intensive and often those who did paid a price for doing so. The biggest challenge though was not just the quick fix but seeing the changes all the way through, the third process of Stepping Up as summarized in Table 4.12. One participant described

> …a handful of board members that really took it on in terms of being a committee that would get on the phone we want maybe six or seven who would be on the phone at least once a week and would talk about what the strategy was going to be for going forward and communicating it….There was a group of work horses they…really kind of coordinated the communications…for months by meeting weekly. And over time, the… group that had been passionately negative, kind of got less involved and less interested and less of a force on the negative side. (I-7)

A critical piece of that longer-term orientation was succession planning. Many interviewees talked about how important it was to bring on new board members and to plan for other members to take over leadership of the board in the future.

> We've turned over…about 60 percent of the board. And I always look for people that, I think you need one or two or three people on the board that have the potential of eventually being the chair….There have been times when I've converted a board member to CEO of the organization when I saw that they took a great interest and had the ability to manage. (I-5)

A new board chair explained how she was impacting the way the board did business after coming out from under the crisis.

> I'm adding something to the fabric of that organization that will help it move forward. I have found my replacement, I've talked to him already, and he'll take it over for me in two years. To me…having controls in place, running it as a good business, having people understand your decision making and why, and then engaging as many people as possible in the discussion. (I-14)

While a single individual may have been responsible for *Stepping Up*, it was clear that sustaining the changes necessary alone was not possible. It was critical that others were enlisted to ensure that changes were fully implemented and the organization did not quickly slide back down into the *Tangled Web*.

Sliding back. Sliding back, the fourth and final process of *Stepping Up* as summarized in Table 4.12 sometimes happened after the initial crisis was resolved but before the changes necessary to repair systemic issues were fully implemented. There is a natural tendency to experience relief when the immediate crisis is over and then to slide back to the same kinds of things that created the issues. Getting out of the Tangled Web in the short term was easy compared to staying out of the web. There seemed be a natural tendency for boards of volunteers to function within a Tangled Web. It did not take long for boards to resume deferring to the CEO. The one hour meeting standard returned. Meetings were again characterized by ritual approvals and the reporting of good news.

Outcomes. The outcome for the Stepping Up dimension a summarized in Table 4.11 is moving outside the web. When an individual or small group of board members stepped up the board was able to climb out of the tangled web. Outside the web issues and options were clearer, responses more successful, and outcomes were likely to be better. The sub-processes of seeing it through and sliding back determined whether the ultimate outcome would be a thriving or muddling organization.

Responding outcomes. All of the processes involved in a board's response to a crisis, whether from within or outside of the *Tangled Web*, come down to three possible outcomes. A board that fails to get out of the *Tangled Web* or at least to its outer edges is likely to limit the potential of the organization the board is bound to support. The outcomes for *Responding* and for The Tangled Web are summarized in Table 4.13 and include *failing; muddling;* and *thriving.*

Table 4.13

The Tangled Web and Responding Outcomes

The Tangled Web and Responding Outcomes
Failing organization
Muddling organization
Thriving organization

Failing. If the board cannot step out of the Tangled Web long enough to come to agreement on a course of action the organization is likely to fail. Failures were painful for those who participated.

> They weren't pleased and they somehow, they got rid of the CEO….Three [board members] took over and they were the people in charge….They wanted new board members, and so they got rid of all of us, too. And so those guys got the new board members in…and I think that lasted three months and then it really went downhill. Those board members, the new board members, started to scatter, and then it was just all over shortly after that. (I-8)

Another interviewee who was part of an organization that ultimately failed talked about why the organization was not able to recover.

> And we just kept watching, they used decline, decline, decline, decline decline, and we knew we were going to close our doors. I mean that was it. There was nothing, nobody was passionate. Come back to that passion. Nobody was passionate for the institution and no one really cared. (I-14)

On the other hand it was possible for a board to *Recognize* that the time had passed for an organization, *Step Up* and out of the *Tangled Web* and agree that the time had come to fold. That did not mean that it was easy for the board or its chair. An interviewee explained "I was actually driving the ship when it ran aground….I went oh man, why did it have to happen on my watch" (I-4)? While he laughed about it he did elaborate on how it happened and why he was in charge.

> The whole board saw it coming….And the chairmanship and the board officers were due to change in June…but we talked about it and nobody wanted to do it. And I didn't blame anybody….I wouldn't want to do it either but since I'm here I'll just keep doing it. I mean my signatures on the bottom line somewhere. (I-4)

The organization did wind down in a systematic fashion with no outstanding liabilities. That would not have been possible had the board not *Recognized* and *Responded* appropriately to changes in the environment.

Muddling. One of the challenges for nonprofit board members is evaluating whether an organization is doing the best it can with the resources available. Absent the profit motive, having enough revenue to cover expenses was often seen by the board as adequate for success. As a result many organizations just kept muddling through, never reaching full potential but managing to exist while the board seemed to stand by and watch.

> At the end of the day what started to happen was again this is the point about this CEO being in office too long….He has other talents, there are other things he could do, he just never was a good fit. But he outlasted all. I'm off that board and he's still there. She's still the chair of the board….The balloon is losing air. They are out of money (I-1)

Somehow the organization has managed to just get by for a number of years and continues to teeter on the brink of failure. Other stories were similar. It seemed that some nonprofit organizations are always in some state of crisis, usually financial. The fundamental issues did not change but somehow organizations and their boards reengaged in crisis mode and found a way to eke out enough to stay in existence.

Thriving. Those boards that saw the systemic change necessary were often able to Step Up and out of the web and make the right decisions to get the organization on a different path. It might have involved a new CEO, new strategic direction, an updated business model, or even a partnership or merger with a similar organization**.** "It's grown from barely making budget, I mean literally thinking about maybe this wasn't a good idea until 11 years ago to where we're now we have probably a one and a half million dollar reserve" (I-11).

Making the changes in how the board did business contributed to the success. One interviewee addressed the changes. "This new board is running the organization. Before we were just there to rubberstamp—that's my opinion. We rubberstamped what the former director did because she had done, she had been in that position for almost 30 years" (I-18). Another had a similar stories talking about reinventing the board.

> And that took a lot of years to do—at least three or four years to begin to turn the whole ship to where we had a functioning board of directors and functioning agency. So the administrative part of the agency…was able to be much more assertive instead of reactive. (I-19)

Success could make a board chair downright giddy and forget the hours of board time put in to turning the organization around if the result was a thriving organization that delivered for the community. An interviewee who participated on the executive committee as vice chair through the crisis and took over as chair to lead the revitalization efforts described the lows in detail but then followed up with what is currently happening:

> The excitement, the vision our new CEO has, the commitment on the part of our board-we had to ante up, our board alone has already given $6 million to this project.…And it's a great story….Now we're recruiting board members who want to be on our board and people are actually enthusiastic….It doesn't mean that life is easy…but I got to tell you, it is so exciting. (I-14)

Participating on a board that led an organization out of a crisis and successfully turned it around took considerable effort, but the effort was deemed worthwhile by many of those who got through it.

A fascinating aspect shared by many participants was how much they learned from serving on the board of an organization that made it through a crisis. A retired CEO who actively turned three major nonprofit boards around explained why despite all the work and the stress so many talented individuals do get involved.

> It's like continuing education for all of us old folks….I think I get exactly the same benefit as someone who is retired and now takes courses in continuing education because they just have an interest in keeping busy and interested in things that are going on….It adds to your breadth of knowledge and becomes valuable I think for a lot of other things you do. (I-5)

Another participant had some different insights about the painful and yet challenging experience of leading a board through a crisis and on to considerable success.

> I learned that the board has to be on the same page as the paid leader but that doesn't mean being a yes man, it just means that he needs to have the same vision. It takes a lot of time and communication. What did I learn? I learned hard things are worth doing. (I-15)

Summary of the Dimensions

The analysis of interviews identified the core dimension, *the Tangled Web,* summarized in Table 4.1, and three primary dimensions, *Recognizing (*Table 4.7*); Responding* (Table 4.9); and *Stepping Up* (Table 4.11). Each has been defined in terms of context, conditions, processes, and outcomes. These dimensions provided the framework for taking the analysis of data to a theoretical level.

Beginning with a discussion of the core dimension of *the Tangled Web,* the intricacies defined by individuals who served as board members during a time of organizational crisis provided context. The skills, abilities, experiences and expectations of individual board members; how those individuals functioned as a group; and how they understood of their role and responsibilities were constrained by limited time and information. Within this context, boards had to deal with financial, CEO, strategic, and environmental issues that had potential to create crisis situations for the organization. The primary dimensions of *Recognizing, Responding,* and *Stepping Up* were the processes of the core dimension, the *Tangled Web*.

Rather than a linear progression that followed a rational decision-making process, boards often had difficulty *Recognizing* and *Responding* to signs of trouble in the organization. The *Tangled Web* provided context and conditions for these primary dimensions. The processes of *asking questions; hiding behind the curtain;* and *acknowledging signals* characterized the

Recognizing dimension. But *Recognizing* a problem did not ensure that the board would *Respond* appropriately or even *Respond* at all. Failing to respond to a crisis was likely to result in the demise of the organization. The organization was sometime able to muddle through for a while, but ultimately failed.

The *Responding* dimension processes include *Stepping Up; meeting immediate needs*; and *changing finances, CEO, or strategic direction*. Of these processes, *Stepping Up* was so critical to the ultimate ability of the organization to recover from the crisis that it was elevated to the level of a primary dimension. Responding did not guarantee success but organizations that managed some response were able to at least muddle through for extended periods of time.

To move out of the Tangled Web and become a thriving organization required that some individual or group of board members Step Up. Stepping Up did not ensure a thriving organization since there were occasions where short term solutions solved immediate problems and the crisis was followed by some level of success, at least for time. In the next chapter these dimensions are combined into a theoretical model of what happens when a board of directors in a nonprofit organization faces a crisis.

Concluding Comments

There is a strong possibility that the *Tangled Web* is the natural form for nonprofit governance. Sustaining change for a few years was possible but the board members who led the organization out of a crisis eventually moved on. Second thoughts were natural following a difficult situation and it was not unusual for board members to have a few caveats.

> Somebody else has to do some of the work. And I don't want it to sound like I do all the work. But I get myself in these positions where I get frustrated when I don't see anybody doing anything, and I start to do it myself and then six months later I look around and say, "You know, I'm doing it. Why isn't anybody else doing it?" (I-17)

Another consideration expressed by multiple interviewees was to undertake due diligence before accepting a board appointment, particularly if the organization had recently experienced problems. An interviewee, who had agreed to serve a failing organization with the hope of saving it for the community, was blunt.

> I would never go….a board that was teetering on collapse, I'd probably think twice. I didn't think twice on this because I thought I'm going to rush in there and hopefully this thing will work….I would…think with my head and not with my heart the next time. (I-8)

Another warned "if an organization is troubled and you purposely choose to go on the board, you're deluding yourself if you don't say to yourself I'm going to go and see if I can't help this problem" (I-5).

Staying outside the *Tangled Web* requires a different way to do governance. Everything, from the selection of prospective board members to assimilating them into a working group and insuring that the entire board and executive staff understand the roles and responsibilities involved for all must be done more effectively than it is at present. It is more likely that with time and an extended period of success the board will eventually create a new *Tangled Web*.

Chapter V: Model and Discussion

The fundamental research question guiding this study was what is a board member's experience during times of organization crisis? The goal was to uncover the basic social processes that emerged as board members *Recognized* and *Responded* to perceived threats to the organization. The analysis provided a broader context from which to interpret multiple participant and organization perspectives and disciplines. Facets of crisis *Recognition* and *Response* uncovered in the data collection process were consistent with what is known about organization crises and about boards. Many aspects of the stories were similar, providing additional insight into the complexities of a board environment that may not be particularly conducive to or designed for governance.

The ability of a board to recognize and respond to a crisis takes place within a complex *Tangled Web* of individual and group perceptions as well as formal and informal policies, procedures and processes. Within this *Tangled Web* perceptions and actions were both influenced and constrained by limited and/or not easily understood financial information, relative power and dependence issues with the CEO, and internal and environmental issues as a basis for setting strategic direction. To suggest that a board of accomplished individuals is incapable of recognizing signs of crisis is a simplistic and convenient conclusion. Yet signals of trouble were often missed, dismissed, or even effectively hidden from the board by individual members. It was not easy for a group of volunteer board members to govern when the organization faced a crisis and much of the problem was the rather *Tangled Web* of implicit understandings and group processes.

This chapter begins with a discussion of the theoretical model of how a board of directors deals with an organizational crisis. A composite story has been created to describe the model in a more narrative fashion. The illustrative narrative was constructed from the stories told by the participants of this study. Following the discussion of the model are theoretical propositions that emerged from the grounded theory method and a return to the literature. Interpreting findings through the literature in complexity theory and complex adaptive systems, governance, crisis and turnaround, and group process provide additional support for the model. The chapter ends with the limitations of the study, implications for leadership and change, recommendations for future research and some final reflections on the findings.

Visualizing the Tangled Web

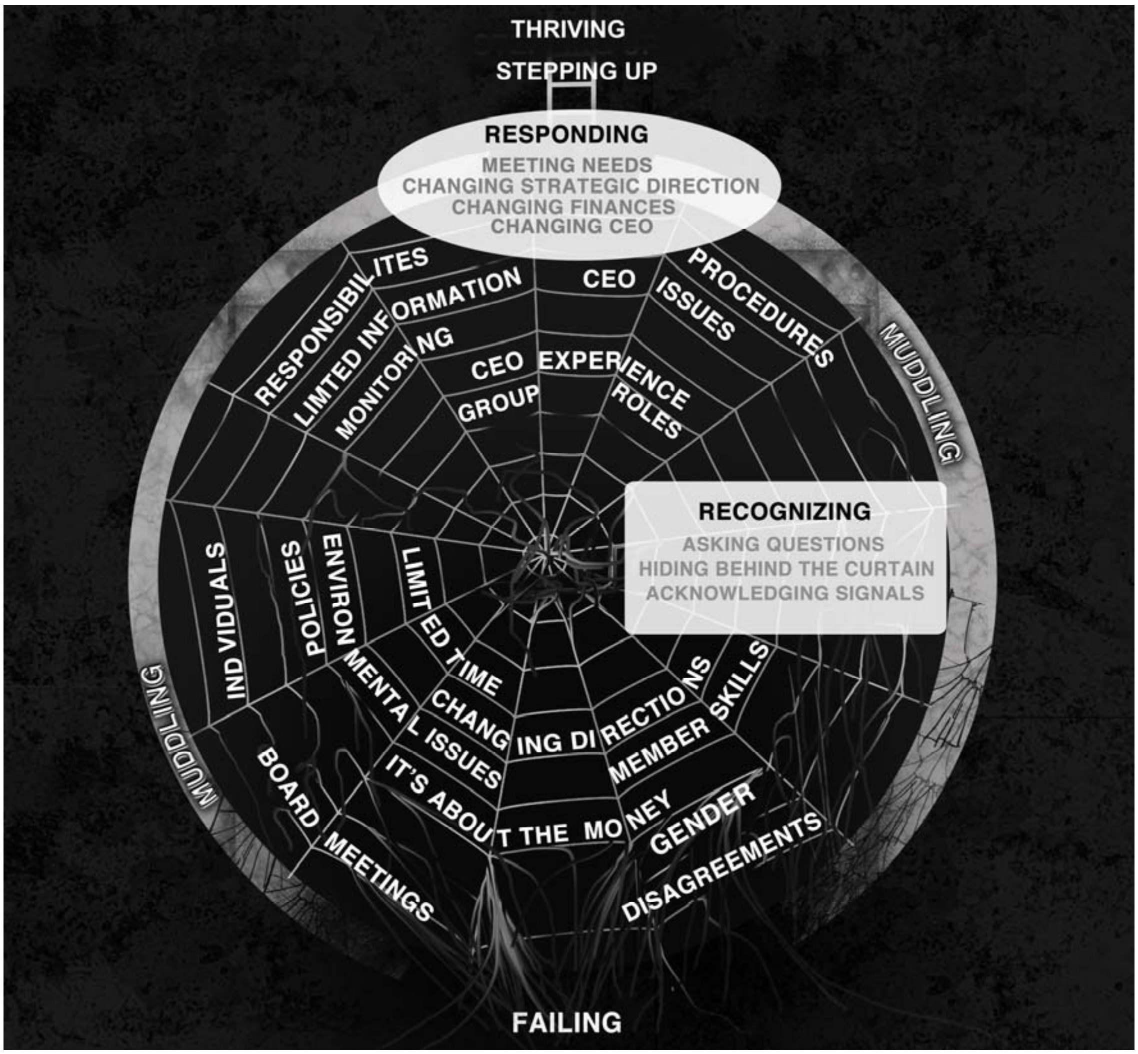
The goal of a dimensional analysis is to build a model that helps explain how the primary dimensions interact and relate conceptually to one another and the core dimension (Schatzman, 1991). The model is visually presented to depict the dynamic nature of the basic social processes that describe and explain the phenomenon of interest to this study. Figure 1 illustrates an artist's rendition of the core dimension, *the Tangled Web,* the relation of the primary dimensions of *Recognizing, Responding, and Stepping Up,* and the consequences these dimensional processes have on the resolution of the organization's crisis.

The model illustrates that there was not always a clear path that allowed a board to move from the *Recognizing* a crisis to *Responding* in a way that effectively resolved the situation. Stories related by participants identified an extensive array of ways that boards managed to avoid dealing with the issues that led to the crisis. The lack of linearity evident in Figure 1 combined with a tendency to avoid suggested the concept of a board as its own complex adaptive system separate from that of the organization. This perspective of a complex system allowed for a model that included nonlinear and dynamic relationships between dimensions (Begun, 1994). Complexity theory also accepts paradox as a necessary consequence (Dalmau & Tideman, 2011;

Houchin & MacLean, 2005; A. C. T. Smith & Graetz, 2006) of a reality that cycles between chaos and order (Tsekeris, 2010). Through the lens of complexity *the Tangled Web* emerged as the core dimension, the context and condition for the other primary dimensions.

Figure 5.1

Tangled Web Visualization



The large web provides a useful visual representation of an operating board. As long as there are no real problems the board is primarily ceremonial. *The Tangled Web* of intricate relationships and ceremonial board processes makes signals of a potential crisis difficult to detect. Primary dimensions *Recognizing, Responding, and Stepping Up* take place in the convoluted and compartmentalized spaces of the *Tangled Web*. Individual perceptions and skills, the ability of the board to function as a group, and the limited time and information available all impact how the board reacts to the crisis. A hypothetical composite scenario based on a composite of the stories related in the interviews follows as a means to demonstrate the model.

The Story of a Crisis

This is the story of the Community Health and Education Institute (CHEI), a comprehensive facility in a midsize Midwestern city. The institute is the dominant service provider in the community and is well respected not just locally but at the state and regional levels as well. The CEO and most of the management team have been in place for 10 years, and during that period the organization experienced significant growth. CHEI is governed by a 20 member board. It is a prestigious board. Many of the members are connected through professional and personal relationships, but in recent years there has been pressure to diversify. At present there are three women on the board, one of color as well as one man of color. The full board meets quarterly but all members serve on one or more committees, some of which meet monthly while others meet every other month. The executive committee meets with the CEO at least once a month, and phone calls are frequent with a core group of board members.

Pre-crisis. In the period prior to the crisis, the board is relatively unengaged. CHEI has a history of success. The CHEI board trusts the CEO and management to run the organization, and in reality the CEO runs the board. The CEO sets the board's agenda, determines what information will be provided to the board, and recommends decisions to the board with an expectation that the decisions will be affirmed. Board members are satisfied. Meetings are relatively short and congenial. Questions about issues are brushed off as insignificant or answered superficially and board members accept the response even when they have doubts because they know that the CEO is in charge and understand that the board should not interfere in operations. The policy governance model espoused by many boards states that the board must speak with a single voice. While that stipulation is supposed to apply post decision making, many of CHEI's board members are under the assumption that means all votes should be unanimous. An individual board member should not make waves.

Serving on a major nonprofit board like the CHEI's board is an honor. It is prestigious and not necessarily difficult or time consuming other than when actively engaged in a fund raising effort. All board members are expected to participate in the annual fundraising gala though only a few actually work with the staff to do the planning, solicitation, and operational aspects of the event. There is little orientation for new board members—maybe an information packet about CHEI and lunch with the CEO and/or a board member or two. Ongoing development for all board members is optional, though the institute does have an annual weekend board retreat at a golf resort in the region. Most individuals go onto a nonprofit board with some tacit knowledge of governance and the role of a board member. CHEI's board is no exception but that knowledge varies considerably. The only aspect of the role of a board member that is certain and consistent among all CHEI board members is that the board is not to interfere in operations.

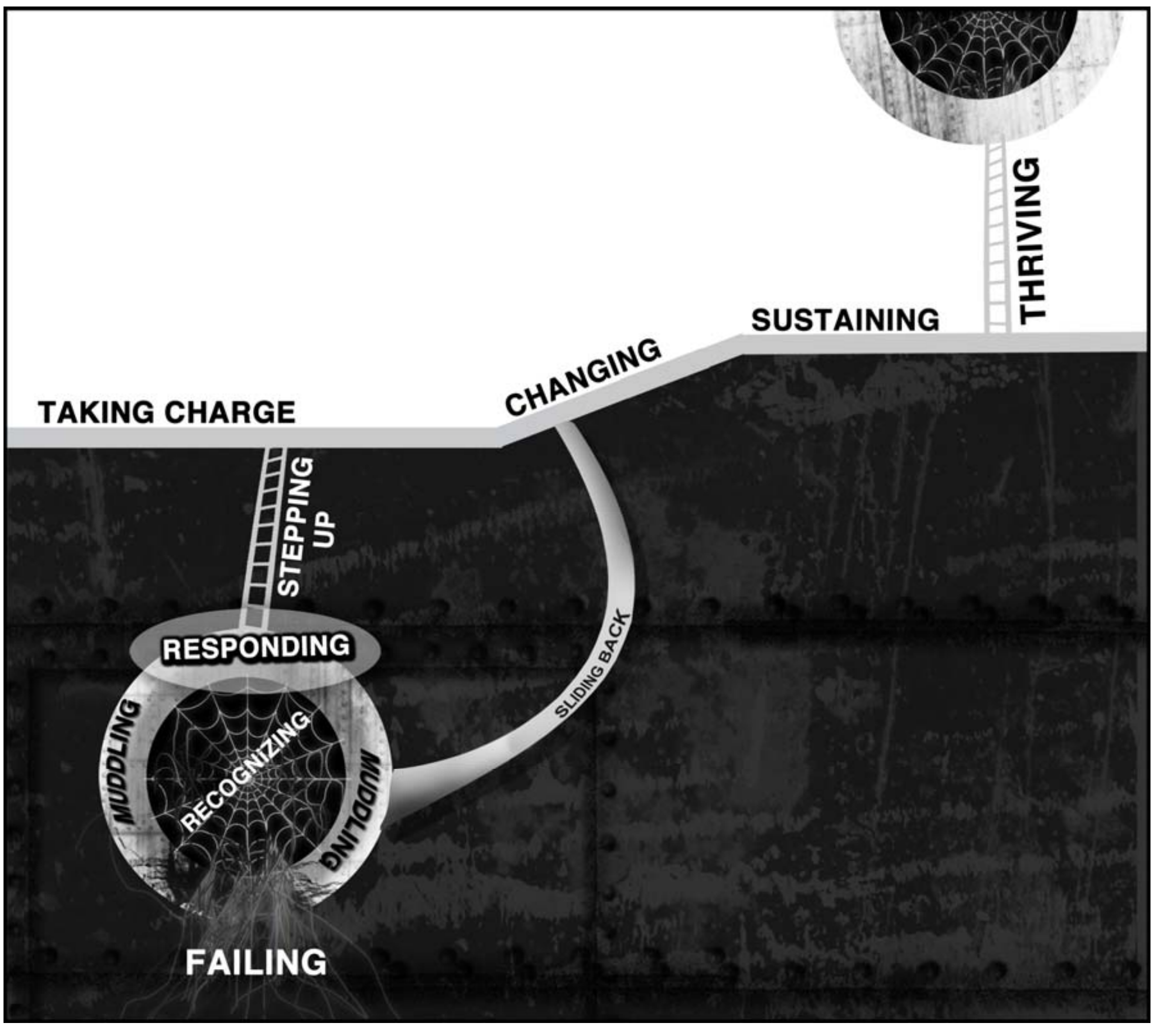
CHEI board members are there for a variety of reasons. They are appointed for their expertise, commitment to the cause of the organization, business relationships with CHEI, and personal relationships with the CEO or other board members. Current or retired CEOs and other executives with impressive titles, successful fund raisers with influential contacts and a little diversity in terms of gender and race also enter in to board selection at CHEI. All these individuals bring different perspectives to their role and responsibilities. There are bylaws and board processes detailed but most members are not well-versed in what they require, and even if they are many would agree that they are not always followed consistently. Board members are volunteers so their time is limited. Meeting time is limited. Members are usually at the mercy of the CEO and his/her designees for the information required when making board decisions. Because of the history of success and confidence in the CEO and management team, CHEI board members assume they have all the relevant information available.

The discussion and actual decision making does not necessarily go on in the full board meeting but rather behind the scenes or in committee meetings. The CEO alone, or sometimes with the board chair or a small group like the executive committee, make the decisions and decide what if any information the full CHEI board needs. The full board is asked to affirm what often has already been decided and may even have already been put in practice by the time the board actually votes to approve. Monitoring is constrained by limited access to any information that might conflict with the information provided to support the recommendations.

Signs of crisis. *Recognizing* a potential crisis on the horizon is difficult with the primary processes identified in the *Recognizing* dimension. Little meaningful discussion goes on at CHEI board meetings. *Asking quest*ions is a major point of contention. It is often frowned upon because it makes the meeting drag on too long. As a result board members often vote without knowing what is *hiding behind the curtain*. Talk of backroom deals and conflict of interest surface on occasion with some CHEI board members but are dismissed as ridiculous just as questions about the recommended actions are. It is easier to discount rather than *acknowledge* *signals* of trouble. CEOs and their boards prefer happy and supportive to doom and gloom and go to great lengths to maintain that status. This is the backbone of the *Tangled Web* as visualized in a slightly different way in Figure 5.2.

Figure 5.2

Full Model of the Tangled Web



It is within this environment of the *Tangled Web* that issues with the organization are presented or in some other way come to the attention of the board. Financial issues are constant in nonprofits. While CHEI has experienced periods of financial uncertainty in the past, things have always worked out. A history of always being able to pull through financially sensitizes board members to the constant concern even in situations where the business model is clearly not sustainable. Funding agencies contribute to the financial insecurity by threatening to cut funding but in the end the money has always come through with little accountability required. When the financial crisis hit foundation portfolios the threats became reality and the grant money actually did disappear.

Board members appointed by the CEO, particularly a long term CEO as in CHEI, feel a sense of loyalty to and dependence on that individual. Signs of problems are concealed and board members who are friends of the CEO are likely to look away even when the issues become obvious. Rather than make a change, board members tend to allow that CEO to save face and that prolongs problems for an even longer time while the organization continues to struggle.

Recognizing signs of trouble in CHEI's evolving external environment is challenging, but even when there is recognition deciding on a response is difficult when constrained by *the Tangled Web* of skills, relationships, and processes. If *Recognizing* takes too long the organization could fail. *Recognizing* and *Responding* from inside the *Tangled Web* means a quick fix to *meet immediate needs* and maintain the status quo. The board of CHEI would not entertain a discussion of replacing the CEO even though there was evidence that he was responsible for the crisis. Instead the board finds money, the board chair works with the CEO, and strategy is adjusted enough to get over the hump. But even with all of these remedies the board and the organization will just muddle through, doing enough to get by but encapsulating the CHEI board in a *Tangled Web* in a way that does not permit the structural substantive changes necessary for the organization.

A board can go on indefinitely functioning within a *Tangled Web*. Not all crises are overwhelming and in most cases the board will continue functioning safely encapsulated but just on the edge of chaos. For CHEI and its board to emerge stronger and more successful something more has to happen. A *tipping point* of some sort pushes an individual or small group of board members to recognize that the situation is untenable and *Step Up*, *taking charge* of CHEI. That process of *Stepping Up,* of climbing out of the web and *taking charge*, can engage the board and pull it out of the web. Outside the web CHEI's status becomes clearer. The issues become more apparent to the board. The changes necessary for an effective response become clearer. The CEO operates the organization but now as an employee who reports to and is accountable to the board.

The required changes can involve *changing the business model, realigning funding options, replacing the CEO, or making a substantive change in the strategic direction*, all changes that take time and a huge commitment on the part of the board to see the changes through to resolution. Board members often become actively involved in operations. Even if the decision is that the organization is no longer necessary, an engaged board making decisions outside of the web can make the difference between an orderly transfer of assets and systematic folding of the organization as opposed to an ugly and damaging situation.

Post crisis. If changes are not fully implemented—the group loses interest or backs off before the new model is firmly accepted and reinforced—the board *slides back into the web*. CHEI got through the crisis and maintained some momentum for awhile. Unfortunately most current CHEI board members could not continue to invest the same amount of time now as they had through the crisis. The CHEI board disengaged and reverted back to the *Tangled Web*, settling for an existence of muddling. It is critical for those who step up to *see the change through,* but it only happens rarely. Necessary changes include new board processes and changed relationships with the CEO and management to ensure accountability and a thriving organization. It requires a board to stay engaged, determine what to monitor, and how to make sure that the organization continues to thrive. When the organization is thriving, the CHEI board will be able to focus on setting a direction to ensure future success.

When things are good serving on a board is a positive experience, and the board is willing and eager to just do the minimum and smile. Too much comfort encourages the board to slide back to old ways, deferring to the CEO. It eventually will mean less board engagement and the potential to create a new *Tangled Web* and again become vulnerable to missing the signs of crisis. Even those boards that successfully see the change through are likely to self-organize into a new *Tangled Web*. *The Tangled Web* seems to be the natural state for a nonprofit board of directors, crisis or not. It is where boards most comfortably exist.

Theoretical Propositions

The model described suggests three theoretical propositions. These propositions are detailed and then followed by a discussion of the relevant theory and research in the literature.

Nonprofit board as a complex adaptive system. A board of directors is its own complex adaptive system interacting with and adding to the complexity of an organization trying to deal with the complexity of the environment. A board is tasked with critical decisions for which individual board members often have limited understanding and background. As a result they often rely on the CEO to help them make meaning and tell them what to do. The board as a group generally agrees but sometimes individual board members see the situation and meaning in a different way. Now the complex organization and environment are the background for complex interactions within the board itself. *Recognizing* signs of crisis are difficult in a complex world. *Recognizing* does not ensure a timely or appropriate response. These processes intertwine and constantly evolve in a way that is not necessarily linear.

Nonprofit boards are not designed to recognize signs of crisis. *Recognizing* the nuances and early warning signals is better served by questions and divergent thinking. Board processes are designed to foster order and convergent thinking. Nonprofit boards are largely ceremonial in terms of the operation of a large organization. They are cheerleaders and fundraisers but do not have adequate time or information to provide guidance and oversight. As a result nonprofit boards tend to rely on the CEO to guide their actions.

Stewardship theory in normal times; agency theory in crisis. In terms of existing governance theory, stewardship theory best explains the board and organization in a normal environment. Management is hired and assumed to be most committed to the success of the organization. The CEO is given the freedom to run the organization without interference from the board into operations. It is in time of crisis that a board's awareness of its fiduciary duty increases and agency theory dominates the board's action. Board's become more engaged in monitoring and that can create issues with a CEO who sees questions as interfering in operations.

Grounding Emergent Theory with Supporting Literature

As is typical with grounded theory methodology where the data drives the process, it was necessary to seek literature beyond that provided in Chapter II to provide theoretical grounding for the emerging model. The review first positions the results in terms of complexity and then discusses governance theories, crisis and turnaround and the social psychological aspect of group norms with governance, crisis, turnaround and social psychology aspects following.

Complexity theory and complex adaptive systems. The question of how board members experience an organizational crisis provided a broad series of stories about specific crises in specific organizations. Deconstructing those stories through line by line coding was a relatively easy task, but putting them back together into some relevant pattern of dimensions was not. The process of rebuilding the details into new dimensions provided insight into just how complex the whole idea of *Recognizing* and *Responding* to crisis is for individuals who sit on a board of directors. There were patterns for the individual dimensions but no real sequence for the way the stories unfolded. Consistent with the findings in Mourdant and Cornforth's (2004) case studies of four UK nonprofits there was not necessarily a linear progression for the way a board recognizes and responds to a crisis.

Not only were signs of linearity lacking but there was also considerable paradox—"cognitively or socially constructed polarities that mask the simultaneity of conflicting truths" (M. W. Lewis, 2000, p. 761). The governance literature refers to the theoretical paradox (M. W. Lewis, 2000; Sundaramurthy & Lewis, 2003) of agency and stewardship theories as diametrically opposed. Interviewees recognized the board role of monitor, but most were not clear on exactly how close that monitoring should be. These nonprofit organizations were clearly big businesses. There was no doubt in the minds of interviewees that the CEO and executive staff should be more knowledgeable about the organization and its business than they as board members were. Participants consistently talked about how the board should not interfere in operations or micromanage. Yet those organizations that recovered from crisis and went on to become thriving organizations were characterized by a board that took charge of operations. In some cases it was a single individual and in others a small group of board members, but in all the board interfered in operations at least long enough to get through the crisis and implement the necessary changes.

There was also paradox in how board members seemed to view their competence as board members. Many complained about the lack of orientation and training, and yet all knew that the board should not interfere in operations. When asked what interfering in operations involved, no one could really explain but a few gave examples. One individual said that calling vice presidents with questions rather than asking the CEO was interfering. Another said it was talking or listening to employees. A third said telling the CEO from whom or where to purchase goods or services under discussion was an example of interfering. The others could not come up with anything specific, just that they should not do it. Two of the interviewees attributed this specifically to Policy Governance (Carver, 1997) with one who had a positive impression of that model and the other stating quite emphatically that he had no use for it.

Another example of the conflicting realities characteristic of complex systems involved participants' understanding of the board as a single corporate body. Most were clear that the board only speaks as one and that individual members do not speak for the board. Some also indicated that they had voted on issues they did not understand because speaking as one meant that votes should be unanimous. In many cases only select board members had access to all of the information or fully participated in decision-making but the full board was expected to affirm by voting as directed.

Complexity theory allows for nonlinear and dynamic rather than stable relationships (Begun, 1994). The lack of linearity, the paradoxical nature of many aspects of governance, plus the variety and extensive array of ways that boards managed to avoid the obvious in the stories related lead to the conclusion that a board of directors is its own complex adaptive system separate from that of the organization. Using complexity theory as metaphor provided the opportunity to gain insights beyond the typical result of current research on boards in organization crisis situations that just identifies factors (Morgan, 1997; Tsoukas & Hatch, 2001). Viewing the dimensions through the lens of complexity allowed for a model that moved "between order and disorder, between pure determinism and pure chaos, between simplicity and randomness" (Tsekeris, 2010, p. 256).

Complexity allowed the identified dimensions to be considered not only from the series of codes but also from the actual context of the interviewee's narratives increasing the level of credibility of the analysis and ultimately of the model (Tsoukas & Hatch, 2001). There were both formal and informal processes that seemed to be somewhat consistent from group to group with a caveat from some that it does not always work out the way it is portrayed on paper. The nature of the usual board responsibilities paradox, confusion, and all contribute to the complexity. These responsibilities are carried out in relatively brief encounters at timed intervals with limited amounts of information available.

First order complexity assumes an objective world. Second order complexity explores thought processes about that world. This interpretive approach allows for the social construction of first order objectivity through the narratives of study participants (Tsoukas & Hatch, 2001). The reflexive stories, as related by interviewees, provided a view of the second-order complexity of the system.

Interviews were far more than just an individual relating a series of events. The stories included lush descriptions that were full of interpretation. They described in detail not only of what happened but why they believed it did. As each interview progressed the story shifted to the participants' views of their own role in the sequence of events. Some were the stars of the story while others became quite reflective wondering why they had or had not seen signs of a developing problem or acted in a more characteristic way. There were stories of intrigue, of backroom deals and the unequal distribution of information. There were individuals or groups who protected the CEO long after it had become clear that the CEO was responsible for the crisis. And there were board members eliminated because they asked too many questions. There were also stories of incredible commitment with "workhorses" that quit or took leaves from their own jobs to try to clean up the crisis. Another story involved a board chair who agreed to "take the arrows" for an unpopular decision that had to be made understanding that in the end he would have to resign. There was no doubt that each of the participants had long since made meaning of the experience and no question that the boards of directors as described were interacting and autonomous individuals, complex in and of themselves (Wheelan, 1996).

Through the lens of complexity, missed signals and the failure of boards to recognize signs of an impending crisis were no longer difficult to comprehend. Even recognition was not enough to ensure that the board would respond at all let alone respond effectively. Sarma (1994) identified a number of factors that make decision making in complex systems difficult including "interconnected systems, multiple objectives and constraints, dynamics…imprecise goals and constraints, uncertainties in the environment, the counterintuitive nature of solutions, multiple decision makers, and incomplete sharing of information" (p. 403). The rational decision-making model traditional in business is not well suited for the ambiguous nature of complex systems (A. C. T. Smith & Graetz, 2006).

In a crisis there was often pressure for getting the problem corrected as quickly as possible but that created issues with

> a tension between the drive to solve problems at the altar of the "quick fix" on the one hand and the realization that the problem is far more complicated than first thought. Indeed there are often cohorts with varying interests around the problem, quite different interpretations as to its nature and a growing awareness that there is no easy way of resolving these tensions. (Dalmau & Tideman, 2011)

Crisis situations in a complex environment require a shift to adaptive learning and leadership (Uhl-Bien & Marion, 2009; Uhl-Bien, Marion, & McKelvey, 2007).

A complexity frame allowed for some glimpses of clarity about what happened in the situations discussed and suggested that a *Tangled Web* is in fact that natural state for a board of directors. Periods of instability in some cases led to changes that reshaped not only the way the board functioned but the way the organization learned to deal with issues. Complexity suggests that shifting between stability and instability leads to a new order (King Keenan, 2011), but that new order is temporary as well. Governance as currently defined is from another era and not designed to deal with a complex environment constantly on the edge chaos. Imposing technical solutions is not an effective way to deal with adaptive challenges. It is truly time for nonprofit boards and executives to recognize and learn to adapt to this new reality and respond with new ways to think about leadership and organizations (Heifetz, Grashow, & Linsky, 2009; Uhl-Bien & Marion, 2009; Uhl-Bien et al., 2007).

> Outcomes that have not been studied in leadership previously: emergence and adaptability. Leadership research has primarily emerged out of psychology and social psychology, and therefore has focused heavily on individual traits and personality and small group contexts. In so doing, we have missed out on understanding how groups of interactive, interdependent agents can generate adaptive changes that appear as if spontaneously generated. (Uhl-Bien & Marion, 2009, p. 647)

Complexity provides a different way to frame the study of governance. The adaptive challenges inherent in a complex adaptive system require a different kind of leadership. The impact of adaptive learning and leadership is included later in Implications for Practice.

Governance theory. Numerous theoretical bases for governance have been espoused over the years, but no one theory has been able to adequately address all that is expected of a board of directors. While agency theory is the most often cited (W. A. Brown & Guo, 2010; Du Bois et al., 2009; Fama & Jensen, 1983; J. L. Miller, 2003; Olsen, 2000) the results from this study suggest that most of the time stewardship theory provides a better explanation of nonprofit governance.

Boards that trust and rely on the CEO and management to tell the board what is best for the organization consistent with stewardship theory are more typical at least in a pre crisis environment (Davis et al., 1997; J. L. Miller, 2002). The study provided examples of how boards could be desensitized to signals that things were amiss when a successful and respected CEO provided plausible explanations (Baumard & Starbuck, 2005). Stewardship prevailed in pre-crisis environments, but once a crisis was acknowledged boards were more likely to switch to an agency perspective and become more involved in monitoring the CEO and results of operation.

There was some evidence of resource dependency theory with board members who provide access to resources the organization needed (J. L. Miller, 2003). Some of the boards discussed were involved with fundraising but others were not. Where fundraising was relevant, boards often granted special accommodation on policies and board appointments for major donors. Several participants indicated that their board appointments were a result of significant donations, and others because of leading successful fund raising activities. There were also cases where the individual was invited to the board because there were signs of trouble and the interviewees had a track record of significant boundary spanning activities with other struggling organizations.

Governance and the role of boards in the evolution of a crisis are complex and convoluted. Study results support aspects of stewardship, agency, and resource dependency theories. None applied consistently or completely explained the role of the board of directors in governing a nonprofit organization. Other governance theories mentioned in Chapter II—institutional and democratic—did not demonstrate any explanatory value to the model detailed here.

Crisis and turnaround. The crises discussed in interviews certainly reflected aspects of many of the models and stages proposed in the case study literature (Mellahi, 2005; Mordaunt & Cornforth, 2004; Roux-Dufort, 2009; Sheppard & Chowdhury, 2005; Weitzel & Jonsson, 1989). The two that specifically described board involvement were most relevant (Mellahi, 2005; Mordaunt & Cornforth, 2004).

Some of the stories described by interviewees demonstrated aspects of Mellahi's (2005) study of HIH. There were boards that did not really understand organization strategies. There were CEOs and management that withheld or sanitized the information provided to the board. Unlike the HIH situation, the concept of groupthink was not identified as relevant in any of the situations described in this study. There were a few interviewees who had experienced or observed marginalization of those who questioned or expressed dissent, similar to the HIH case. There were stories of boards in this study that seemed powerless, almost paralyzed, and like the HIH board unable to act. The HIH case resulted in the collapse and failure of the organization while few of those in this study experienced the same fate.

Mordaunt and Cornforth's (2004) multiple case study of four nonprofit boards was more relevant. The authors clearly addressed the socially constructed nature of crises, and that was confirmed in this study. Interviewees related many stories that described situations that most anyone would identify as a crisis. On the other hand, some of the stories were of organizations not on the brink of disaster or collapse but rather facing uncomfortable situations that were creating anxiety. There were stories of interviewees who had questions but acknowledged that they felt pressure to not ask (Mordaunt & Cornforth, 2004). Asking the right questions and knowing how to assess the answers provided by management are critical board skills in a turbulent environment (Lorsch, 2009). An interesting factor identified by Mordaunt and Cornforth (2004) that also emerged in this study was that sometimes a reluctance to ask questions was more about board members not wanting to appear impolite. There was also a fear in a couple situations that raising a question or identifying a problem would create more work and require more time from the board consistent with the study (Mordaunt & Cornforth, 2004).

The difficulty associated with getting the CEO and entire board to deal with the issues was also a recurrent theme for participants in this study (Mordaunt & Cornforth, 2004). When the management was implicated, directors often had to take a "hands on" approach and temporarily get involved in the management of the organization (Lorsch & MacIver, 1989; Mordaunt & Cornforth, 2004) . The *Stepping Up* dimension was consistent with those themes.

Most significant in the Mordaunt and Cornforth (2004) study was a mention that the stages identified—recognition and denial, mobilization, action, and transition—were not always linear. That was clearly confirmed in this study and in fact turned out to be the rule rather than the exception. The final similarity from that multiple case study was that once the immediate problem was solved, issues still remained. All too often results were temporary and superficial. The organization slid back into business as usual mode. Change agents moved on before changes were fully implemented. Despite the best of intentions the organization continued on a path of just getting by until the next crisis surfaced (Fullan, 2006). The need for time to adjust emotionally to changes and the stress and time commitment necessary for complete resolution (Mordaunt & Cornforth, 2004) was consistent with the experience of participants in this study and in terms of the model critical to returning to a thriving organization.

While turnaround research tends to focus on retrenchment, reposition, and reorganization (Boyne, 2006; Boyne & Meier, 2009) those options did not prove relevant in this study. Having adequate resources to stay in existence has historically been sufficient in the nonprofit world (Walshe et al., 2004), but participants in this study, particularly those who have served on for-profit boards, suggested that is no longer the case. Experienced for-profit board members found the lack of readily understandable measures of success made it difficult to assess whether the nonprofit organization were effective.

The economic and political environment is clearly having an impact on major nonprofit organizations. Several interviewees specifically stated that financial crisis is the norm for nonprofits, but financial instability was identified as more acute now than any time this group of experienced board members had ever seen. Many of the organizations in this study, particularly those in health care and education, have heavily relied on some level of government support. Government grants and reimbursements have contracted to a level that is forcing these organizations to make painful cuts in services. Most of the organizations discussed were recipients of private grants, and foundations have been forced to decrease funds awarded. As a result governments and foundations are now demanding more accountability than this group of nonprofits have ever experienced.

Much of the responsibility to adapt falls on management, but boards have recently come under pressure because of the increasing number of organization failures. While the ethical and moral responsibilities have always been a factor in the nonprofit world many of the interviewees mentioned their legal responsibilities and concern about the adequacy of directors and officers liability insurance (D & O), probably a result of the failures. Fundraising responsibilities for board members are increasing with a large number of organizations in pursuit of the same shrinking pool of available resources.

The one turnaround factor that did emerge in this study was pressure to merge or partner with other organizations and that proved to be a painful decision for those involved. There were included organizations in the process of merging with varying levels of success. In two cases the merger or partnership was a success for the organizations but with painful results for board members. In two other situations the unwillingness of the board to consider merger resulted in the ultimate demise of the organizations. The board specifically decided to fold rather than merge in one of those cases. In the other where the board could not come to agreement, the organization's failure was even more painful. The tried and true solutions of retrenchment, repositioning, and reorganizing identified as critical may no longer be adequate. Mergers and acquisitions have become a painful reality for those who serve as directors or trustees on nonprofit boards.

The available crisis and turnaround research where boards were involved offers examples of how specific organizations responded to an organizational crisis with varying levels of success. Understanding how other boards recognized and dealt with a crisis situation can provide a useful frame of reference for boards and those who work with them to evaluate difficult and often confusing circumstances.

Group process. Throughout the data collection process, it was evident that each individual board member reacted in his/her own way in response to a unique interpretation of role, responsibility, and situation. As Blumer (1969) suggested, it is the social processes going on within the web that creates the rules rather than the rules dictating the processes:

> A network or institution doesn't function automatically because of some inner dynamics or system requirements; it functions because people at different points do something, and what they do is a result of how they define the situation-this point tends to be grossly ignored. (p. 19)

These processes enmesh a board deep in the web and the deeper in the more difficult it becomes for the board to recognize signs of crisis. Group norms whether intentional or implied, did enter into the discussions with interviewees.

Group norms. Norms are guidelines or expectations about acceptable and unacceptable behavior for members of a group (Cialdini & Goldstein, 2004; Gold & Douvan, 1997; Levine & Moreland, 1990). These rules are a product of the social processes that go on within a group like a board of directors (Blumer, 1969; Stryker & Vryan, 2003). Assuming that a board of directors is a group with some level of prestige there is an expectation that members will conform to the norms. Punishment for failing to conform comes from the social network that established the rule (Ehrhart & Naumann, 2004). A number of the stories related by interviewees identified ways the norms were enforced. Sanctions were not necessarily overt or obvious to other board members. Participants spoke of phone calls and emails criticizing unacceptable topics or questions the individual had raised in a meeting. There were also stories of exclusion from "secret" meetings that seemed to be a method for enforcing norms.

Each board member brings his or her own subjective mental model of how a board of directors should operate to the boardroom based on his or her own experiences. As such they are not necessarily consistent within the same board (Hinsz, 1995). Participants in this study had all served on multiple boards and had expectations of what board service entailed. While research confirms that groups will sanction those who fail to comply (Wahrman, 2010) many of the participants refused to change their behaviors. One interviewee explained how as a new board member the board chair made clear that board members were not to raise questions or seek input from others, inconsistent with the individual's experience on other boards. Warnings seemed to intensify when participants voiced concerns about potential issues. A few of the interviewees admitted they paid a price for refusing to conform and detailed how difficult it was to get the rest of the board to recognize troubling issues.

High status did not seem to affect these individuals. There were stories of individuals who rebuffed board chair or CEO attempts to sanction the board member. Some were neither intimidated nor willing to succumb to the group when they disagreed with the rules. Interviewees who failed to demonstrate compliant behavior were denied reappointment to a second term despite expressed interest in continuing. Social control of board members particularly at the time of a crisis may contribute to the failure of a board to recognize signs of a potential crisis.

Conflict. Conflict is a factor in small groups (Levine & Moreland, 1990) but in the stories related in the interviews conflict avoidance was more typical and possibly more destructive (Clark, 1988). It is unfortunate that conflict has such a negative connotation since there is considerable evidence that some conflict is productive (Clark, 1988; Kerwin, Doherty, & Harman, 2011). Only two interviewees reported that open disagreement and vigorous debate occurred in board deliberations, but both were quick to point out that the discussions were civil. One of the more interesting situations arose when a board member who disagreed with a decision opted to publish confidential board discussions about the decision through social media rather than openly express disagreement with fellow board members.

Others expressed concern about their own unwillingness to challenge issues or information reported in meetings. The statement "I knew better" came up in multiple interviews suggesting that there was almost a de-skilling in otherwise competent professionals when serving on a board. In looking back these individuals expressed confusion, and wondered why they did not speak up. None could recall feeling pressured to go along. From the discussion it was more of a self-imposed censoring. There seemed to be some tacit knowledge among board members that speaking up was not acceptable behavior. In a complex environment board members must feel comfortable expressing concerns and asking for additional information when necessary if boards are to recognize and effectively respond to potential crises.

Power. Power in a group, specifically in a board of directors, determines who has the ability to influence and control the group (Levine & Moreland, 1990). Most nonprofit boards depend on the CEO to guide the board and provide members with the information necessary for the board to function. CEO dominated boards were present in most of the pre-crisis situations discussed in this study. Even when the board had doubts about the CEO's competence, the boards discussed lacked the will to remove that CEO. Personal relationships that develop between CEO and board members seemed to make taking action too painful to face.

There is a logical reason for this dominance of CEOs over their nonprofit boards. The CEO generally sets the board agenda and controls what information is shared and what is hidden. In many of the interviews board meetings involved more reports and good news than strategic discussions and monitoring activities. In crisis situations, however, this changed (Lorsch & MacIver, 1989; Pettigrew & McNulty, 1995). The dimension of *Stepping Up* in the model usually meant that a formerly complacent board exhibited more interest in monitoring activities and operational control. Boards must take an active role in setting the agenda and specifying expectations for the information necessary. Board chairs must not only work closely with the CEO but also develop the skills necessary to keep fellow directors engaged in the work of the board.

This study provided a different look at how nonprofit board members experience board service during a period of crisis in the organization. The combination of dimensional analysis to structure the analysis and use of rich descriptions provided in the interviews provided a unique view of the complexity of an operating board and frustrations individuals take away from the experience. The complexity of the environment for many of these organizations and of the organizations themselves suggests that many of the issues boards must deal with are unique and traditional board actions and approvals are no longer adequate. While there have been some recent attempts to apply complexity theory to governance (Goergen, 2010) the results suggest that further research and consideration of this topic is warranted.

Case studies presented in previous literature have sequenced the stages of crisis in organizations and the role of the board of directors in that process. This study suggests there is some consistency of perceptions of board members that experience the phenomena despite the wide variety of circumstances.

Limitations of the Study

The primary limitations of the study are the small sample size, the retrospective nature and biased perceptions of the interviews. The twenty interviewees came as recommendations from colleagues, friends, family members and interviewees. Care was taken to seek recommendations from geographically dispersed contacts from a variety of social and professional circles. As a result there is some diversity in terms of location, institution type, gender and ethnicity. Interviewees were prescreened as to the kind and size of the organization and the nature of the crisis situation to ensure that they met the study criteria. Beyond the basic requirement of at least $1,000,000 in annual revenues, no additional information about the organizations was solicited. Most of the organizations were much larger than the specified size. Some had hundreds of millions in annual revenue. The scope of the crises varied as well with some resulting in the complete failure of the organization while others were much less threatening. All met the study's definition of crisis.

The other major limitation is that the stories are retrospective and from the perspective of a sole individual or member of the board. The goal of the study was to learn how board members experienced an organization crisis during the time they served as a director. These individuals had obviously given a lot of thought to and made meaning of the situation and the way that they and the board responded. There is no assumption that their views are representative of the entire board.

Implications for Leadership and Change

Applying complexity theory to the governance of nonprofit organizations suggests different research approaches to the study of crisis on boards. "The limitation with complexity theory, however, is that its explanatory value is more apparent than its prescriptive implementation; a by-product of its very nature, that of non-linear systemic interaction. Ostensibly, the acceptance of complexity requires the acceptance of ambiguity" (A. C. T. Smith & Graetz, 2006, p. 852).

Volunteer board members have limited time available for training and for performing expected duties. Compensation for nonprofit board members is controversial though some organizations do provide modest stipends for those who serve. Consultants abound but most focus on board and group process rather than on the business aspects associated with the organization. An alternative approach is to use independent facilitators knowledgeable about the business and the organization to assist a board in determining critical metrics and interpreting results.

Despite all the theoretical underpinnings, nonprofit governance through a board of directors as currently practiced is not designed to ensure effective monitoring of the status of the organization or it's CEO. As a result the perception that boards are ceremonial is true much of the time. Even in those organizations where the board's primary focus is fundraising enforcing the give, get, or get off is difficult for many boards. The implication is that there is an overwhelming need to rethink the whole concept of governance as currently practiced. The movement to apply design theory to this complex situation could offer some promise of a potential way to accomplish its goals in a way that allows for divergent thinking (T. Brown & Kātz, 2009; Verganti, 2009).

Stepping Up is not easy and can actually be a painful process. Those who practice adaptive leadership often pay a price for doing so (Heifetz, 1994; Heifetz et al., 2009). The most compelling story of stepping up from the study involved the board chair who recognized that despite a firestorm of fury that escalated to overwhelming levels of negative publicity a strategic change of direction was critical. He also knew in doing so that he would ultimately have to resign his position but agreed to be the face of the controversy, "taking the arrows" so that the CEO and other board members could move forward and make the changes necessary. He acknowledged that it was a painful experience, far more painful than he expected. Despite that he was secure in the fact that it was the right thing and as a result of that change the organization is thriving but he paid a huge price personally for driving the process that led to success. That is leadership but that kind of adaptive leadership usually comes at a price. Those who practice leadership need to be realistic about the potential consequences and find ways to remain optimistic through challenging experiences (Heifetz et al., 2009).

Recommendations for Future Research

The question about how boards of directors make decisions in times of crisis will continue to be a question of interest given what is at stake. Board involvement in recent crises at Pennsylvania State University and the Susan G. Komen Foundation serve as reminders of the far reaching implications of boards failing to recognize the signals. Those cases, just as one in the study, also highlight how far and wide social media can spread a negative message. Boards clearly need to be cognizant of the implications and potential impact of media attention.

While gender as a factor was not a total surprise the degree of difference in perceptions between men and women was more pronounced than expected. The question of diversity was not central in any of the interviews, but the term good old boy network came up more often than expected. Two of the participants were African American—one man, one woman. Neither felt that race was a particular issue for them but their gendered perceptions were consistent with other male and female interviewees. Research that focuses on the gendered perception of governance and of crisis could contribute to effective governance. While several female participants referred to "good old boy" behavior, women seem to have slightly more opportunity on nonprofit boards than on for-profit boards.

If I were a nonprofit CEO I would want my board heavily populated with other nonprofit CEOs. Even in a major crisis, nonprofit CEOs interviewed in this study were very sympathetic toward the CEO involved, even when that individual appeared to be the root of the problem. They espoused giving the CEO more time to solve the problem and then when it became apparent that it was not working finding a way for that CEO to save face. Whether because of understanding the difficulties associated with running a large nonprofit or professional courtesy, the experienced nonprofit CEO on the board can be counted on to protect the CEO. For-profit CEOs who participated in this study were not quite as sympathetic. Research that explores the differences between CEO and non-CEO board members as well as nonprofit CEO and for-profit CEO could provide insight on effectiveness of individual board members. Additional research focusing on the complexity of the relationship between CEO and board could also provide insight in how to assist the organization in times of crisis.

Reflections on the Findings

In my role as a faculty member as well as in the role of facilitator in a consulting engagement, my favorite question to ask the group at the end of a session is what did you learn that surprised you? As I complete this work I asked myself that question.

I expected to have trouble finding participants and was amazed at the willingness of so many individuals to share difficult stories in such detail. The really ugly stories were always prefaced by the “now no one will see this but you” but then included an amazing level of detail. Even when they referred me to considerable press in the region where the organization was located, several would follow up with an explanation of how the situation was much worse than what was reported and reinforce why I could not even indicate the specific kind of organization or the part of the country where the organization was located.

Some told of personal relationships between the players that created issues for the board. Many of the stories involved behind the scenes activities and deals. There were stories of secret meetings, board members going public with confidential information, political maneuvers, and hurt feelings. Despite the dignity that I always thought applied to boards of directors, I take away the understanding that there will be drama on boards just as with any other group of people facing complex situations.

There were interesting observations from those with for-profit CEO experience. They clearly recognized how difficult a job it is to run a nonprofit but were troubled by the lack of speed in anything nonprofit. As one interviewee who had experienced a crisis of his own as a CEO said, time is not your friend in a crisis. Another expressed frustration at the time it took for a board that agreed that the CEO had to go, to actually take the vote to terminate while the organization was teetering on the brink of collapse. Another surprise was how reflective for-profit CEOs were about the situations they described. All were quick to relate stories about their own mistakes and what they had learned from making them and how they tried to apply that to the nonprofit organization. One of the interviewees provided good perspective:

> For-profits and you're in the business to make money and everybody's got to be going in the same direction…. If you're not cutting it or not getting the job done, then the chances are you're not going to be on the team, you're going to be gone. Whereas in non-profits… once you're on the team, you're on the team whether you're pulling your weight or not…. People's strengths and weaknesses show up more glaringly… in the profit world. So, non-profits, they're nicer in general.

It seemed that for-profit CEOs were used to being under fire about results and recognize the need to do something about it as quickly as possible. They seemed to have learned more from mistakes or were at least more willing to share them than the nonprofit CEOs.

The overall message I take away from the stories and the analysis is that the line between monitoring and interfering for a board is thin and not necessarily straight. The best way a board can deal with that line is to learn as much as possible about the business of the organization. The board should set the parameters or metrics for monitoring rather than rely on the CEO to provide only that information he/she wants to share. And board members must insist on adequate information before participating in a vote, particularly when the action poses some risk for the organization.

I cannot say enough about the dedication of the individuals who shared their board stories as part of this study. All shared intricate details about their experience. All seemed passionate about the organizations and about board service despite the challenges involved in working through the issues. For most it was clearly a rewarding even though sometimes painful experience. A board member who had experienced a major crisis on another board and currently serving on the board of a several hundred million dollar organization summed up what it takes:

> I pray every time I go into a board meeting that God gives me wisdom, special wisdom that day, to get the right decision, taking your fiduciary obligation seriously whether they do or not, and whether the board does or not. I have said things sometimes that were very painful for me to say, but I felt that if I did not say them, that I wouldn't have been doing the best and the highest job I could do. (I-13)

The dedication of the many board members who do "the best and highest job" possible is critical for organizations to successfully come through a crisis.

APPENDIX

Appendix A - Questionnaire for Prospective Participants

Research Study about Nonprofit Boards

My name is Beth Valicenti, and I am a doctoral candidate in the Leadership and Organizational Change program at Antioch University, Yellow Springs, Ohio. I am looking for individuals who have served on the board of directors/trustees for an organization that faced a "crisis".

For the purpose of this study, a crisis is defined as ***a major incident or series of incidents that had the potential to harm the well being of organizational stakeholders and threatened the legitimacy of the institution***.

The kinds of organizations to be included in the study:

- Hospitals and other health care organizations
- Colleges, universities, or other private educational organization
- IRS 501(c)(3) organizations with annual revenue of at least $1,000,000

If you feel that you can contribute to this research and are willing to participate in an interview of approximately one hour, please provide the information below. Be advised that this information and the information collected through interviews is confidential and neither your name nor the name of the institution will be identified in the report.

Name: ____

Address: ____

City, State, Zip ____

Phone: ____

Email: ____

Please feel free to contact me if you have questions

Beth Valicenti

Appendix B - Informed Consent

Participant Consent to a Study about Nonprofit Boards

You have been asked to participate in a research study conducted by, Beth Valicenti, a doctoral candidate in the Leadership and Organizational Change program at Antioch University, Yellow Springs, Ohio.

This research involves the study of experiences and perceptions of individuals who served as directors or trustees for nonprofit organizations that experienced a major incident or series of incidents that had the potential to harm the well being of organizational stakeholders and threatened the legitimacy of the organization (Gillespie & Dietz, 2009, p. 128) during their board service.

The study involves, at a minimum, one interview about how you as a member of the board recognized that there was a crisis and then how the board responded. The interview will be arranged at your convenience and is expected to last about 1 hour. The interview will be taped. Once the interview has been transcribed, I will share a copy of the transcription with you for your review.

As the study progresses additional questions could arise. Only if there is a need and you approve would a follow-up interview be scheduled. In that case the total time involved for the original and follow-up interviews should be no more than 2 hours

Your name and the name of the organization will be kept confidential and will not be used in my report. You will also have the opportunity to remove any quotations from the transcribed interview. The results from these interviews will be incorporated into my doctoral dissertation. I reserve the right to retain all data for potential future scholarly publications. The interview tapes and all related research materials including signed Informed Consent Forms will be kept in a secure file cabinet and destroyed after the completion of the relevant studies.

I hope that through this interview you may develop a greater personal awareness of your own experience as a result of your participation in this research. The risks to you are considered minimal. You may withdraw from this study at any time.

Should you withdraw after the interview, your data will be eliminated from the study.

There is no financial remuneration for participating in this study.

If you have any questions about any aspect of this study or your involvement, please contact Dr. Lisa Kreeger, Chair, Institutional Review Board

Two copies of this informed consent form have been provided. Please sign both, indicating that you have read, understood and agreed to participate in this research. Return one to me and keep the other for yourself.

____

Name of researcher (please print)

____

Signature of researcher

____

Date

____

Name of participant (please print)

____

Signature of participant

____

Date

Appendix C - Application for Ethics Review

Antioch University
PhD in Leadership & Change
INSTITUTIONAL REVIEW BOARD
Application for Ethics Review

IRB Chair comments:

Instructions

- All research (by faculty and/or students) involving human participants must be reviewed and approved prior to initiating the project.
- This version of the form is intended for you to complete in Antioch Online. Once it is completed, including the attachment of any necessary documents, please press the Submit button. Submissions will 1) send you an email copy of the application for your own records, 2) email the application to the Chair of the Institutional Review Board, E-mail:

NOTE: IRB Approval for projects is valid for one year only. Investigators must request a continuation if the activity lasts for more than one year. IF APPROVAL FOR THE PROJECT LAPSES, CONDUCTING THE RESEARCH IS A VIOLATION OF UNIVERSITY POLICY AS WELL AS FEDERAL REGULATIONS.

1. Name and mailing address of Principal Investigator(s):

Elizabeth Valicenti

For Faculty - Other Principal Investigator:

2. Departmental Status: Student

3. Phone Number: (a) Work (b) Home

4. Name of Core Faculty Advisor: Elizabeth Holloway

5. Name & Contact Information of other Program Faculty Involved in this Project:

a. Antioch Faculty and/or Primary Evaluator for Learning Achievement or Research Project:

If PhD Core Faculty, please select from drop down list. Elizabeth Hollow ay

Otherwise type name here:

E-mail address of non-PhD faculty person:

Note to students: Please have your primary evaluator send an email to indicating his/her approval of your research proposal.

b. If this ethics application is for your dissertation, the name of your Dissertation Chair appears below. Dissertation

Elizabeth Holloway

6. Learning Achievement

Title of Project: What Really Goes

7. Source of Funding for the project (if applicable): N/A

***8. Expected starting date for project** 06/01/2011

***9. Anticipated completion date for data collection** 05/31/2010

10. Describe the proposed participants- age, number, sex, race, or other special characteristics. (Up to 250

For my grounded theory study I will be interviewing individuals who served as directors/trustees about their perceptions of what went on with the board during a period of organizational crisis. Interviewees are expected to be accomplished adults experienced in expressing their positions and opinions consistent with their board appointments. There are no set criteria for age, gender, race, or other characteristics, just that they have served on the board of a hospital or other health care agency, educational institution, or IRS 501(c)(3) organization with minimum annual revenue of $1,000,000.

Interviewing will continue to saturation, with an estimate of 15-23 or more interviews required.

11. Describe how the participants are to be selected and recruited. (Up to 400 words) NOTE: If the participants are to be drawn from an institution or organization (e.g., hospital, social service agency, school, etc.) which has the responsibility for the participants, then documentation of permission from that institution must be submitted to the Board before final approval of the project. This document should be emailed or faxed to . Fax () -. Email

I have collected a list of 15 individuals from a number of different organizations throughout the U.S. who have been recommended by personal contacts, but I will not know how many of them will qualify or be able and willing to participate until I approach them with questionnaire and study description. I will rely on snowballing to identify additional participants and possibly for theoretical sampling if there is a need.

12. Describe the proposed procedures, e.g., interviewing survey questionnaires, experiments, etc. in the project. Any proposed experimental activities that are included in evaluation, research, development, demonstration, instruction, study, treatments, debriefing, questionnaires, and similar projects must be described. Continue your description on following page if necessary. USE SIMPLE LANGUAGE AND AVOID JARGON. Please do not insert a copy of your methodology section from your proposal. State briefly and concisely the procedures for the project. (500 words)

Where possible, interviews will be conducted in person. When that is not possible or the interviewee is more than 50 miles away, interviews will be completed by phone.

Interviews will be unstructured with four initial open end questions (attached).

Because I am using a grounded theory methodology, interviews will be transcribed, coded, and analyzed as I move through the interviews.

As a result the questions may be adjusted and could ultimately be tailored to meet a need for theoretical saturation if that is what the data suggests.

13. Project Purpose(s) and Benefits: (400 words)

The purpose of this study is to develop an understanding of what actually goes on in the boardroom in a time of organizational crisis from the perspective of individual directors/trustees. The study will explore how board members identify and make meaning of difficult situations or events and how they determine the response or actions that best serve the organization. I want to help individual directors/trustees uncover their perception of the board processes that went on as the crisis became apparent and progressed.

Because the board is the ultimate authority of the organization, it has the last best chance to minimize harm and prevent failure. By exploring board processes from the perspectives of board members who experienced an organizational crisis this study has the potential to provide insights and suggest ways to assist board members in minimizing risks to the organization.

14. If participants in this proposed research may thereby be exposed to an elevated possibility of harmï¿½physiological, psychological, or socialï¿½please provide the following information: (UP to 500 words)

N/A

15. Explain how participantsï¿½ privacy is addressed by your proposed research. Specify any steps taken to guard the anonymity of participants and/or confidentiality of their responses. Indicate what personal identifying information will be kept, and procedures for storage and ultimate disposal of personal information. (400 words)

All interview information will be handled confidentially. Participants will not be identified by name but rather assigned a number for identification on transcripts. Organizations will only be identified by broad types (i.e., hospital, health care system, other health care organization, higher education institution, 501 (c)(3) organization, etc.).

Interviewees will be advised in the informed consent form that all of their information will remain confidential but that I reserve the right to retain all data for potential future scholarly publications.

All interview tapes and other research materials will be stored in a secure file.

16. Informed consent statements, if one is used, are to be included with this application. If information other than that provided on the informed consent form is provided (e.g. a

cover letter), attach a copy of such information. To submit or fax these documents, refer to the instructions in the next question.

If a consent form is not used, or if consent is to be presented orally, state your reason for this modification below.

Informed consent form attached

17. If questionnaires, tests, or related research instruments are to be used, then you must submit a copy of the instrument, or a detailed description (with examples of items) of the research instruments, questionnaires, or tests that are to be used in the project. Copies will be retained in the permanent IRB files. To submit documents, go to end of on-line form to upload attachments

Please identify all attached documents.

Interview questions are attached.

18. Will electrical or mechanical devices be applied to participants? No

If YES, describe:

☑ I agree to conduct this project in accordance with Antioch Universityï¿½s policies and requirements involving research.

Attachments

☑ APPENDIX.docx

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