

Governance of International Nongovernmental Organizations

Internal and External Challenges

DISSERTATION

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Florian Rehli

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Germany

Approved on the application of

Prof. Dr. Urs Jäger

and

Prof. Dr. Martin Hilb

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The University of St.Gallen, School of Management, Economics, Law, Social Sciences and International Affairs hereby consents to the printing of the present dissertation, without hereby expressing any opinion on the views herein expressed.

St. Gallen, May 13, 2011

The President:

Prof. Dr. Thomas Bieger

In loving memory of
Véronique Rehli

Preface

Success is not the key to happiness. Happiness is the key to success.

If you love what you are doing, you will be successful.

(Albert Schweitzer)

The writing of this dissertation has been one of the most rewarding and exciting experiences of my life. I would like to thank everybody who has helped me while I was going through this challenging process.

First of all, I would like to thank the Dr.h.c. Emil Zaugg Funds and the Association for Research on Nonprofit Organizations and Voluntary Action (ARNOVA) for the generous financial support of this dissertation.

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I further thank my colleagues from the Executive MBA team of the University St.Gallen and the Omnium Global Executive MBA team of the University of Toronto. They have made it easy for me to pursue my PhD while working. I am particularly indebted to Prof. Dr. Jürg Manella, Prof. Dr. Beatrix Dart, Dr. Markus Seitz, and Prof. Dr. Wolfgang Jenewein. Prof. Dr. Jenewein convinced me to pursue a PhD in St.Gallen and I will never regret that decision.

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My friends and my family have been wonderful companions throughout the past three years. Being both a victim and beneficiary of increased international mobility, I am deeply thankful for having true friends all over the world and I look forward to spending more time with them in the future.

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St.Gallen, May 13, 2011

Florian Rehli

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List of Abbreviations

ARNOVA	Association for Research on Nonprofit Organizations and Voluntary Action
CEO	Chief executive officer
cont.	Continued
e.g.	For example
et. al.	And others
ff.	Following pages
i.e.	id est (that is)
INGO	International Nongovernmental Organization
NPO	Nonprofit Organization
p.	Page
UIA	Union of International Associations
UK	United Kingdom
UNICEF	United Nations International Children's Emergency Fund
USA	United States of America

Abstract

This empirical, paper-based dissertation investigates the governance of international nongovernmental organizations (INGOs) and presents internal and external challenges for these organizations. Employing qualitative and quantitative methods, I analyze governance challenges of high relevance for practitioners and researchers. Actor-centered institutionalism and the *New NPO Governance* model provide the theoretical grounding for the dissertation.

The first paper explores the relationship between board chairs and executive directors in nonprofit organizations (NPOs) given environmental and organizational pressures. Employing actor-centered institutionalism, we find that a stable power relationship is characterized by the actors' equal capabilities and complementary preferences. The paper concludes by introducing a co-operative power relations model that specifies the concept of checks and balances between the main governance actors.

Following resource dependency theory, the second paper studies board nomination modes and stakeholder representation in INGOs. We find that the choice between a board elected by the membership and a board appointed to represent major stakeholders depends on the different sources of funding and volunteer involvement. Individual and organizational members and governmental donors hold a stronger position in the governance of INGOs than philanthropists, foundations and volunteers.

The third paper explores the boards and board members of INGOs in detail. Applying a holistic theoretical framework, I find that board size, activity and, particularly, composition vary significantly among INGOs, primarily depending on external factors such as the areas and regions of activity as well as sources of funding. The results suggest that INGOs, to a large extent, design their boards rationally to acquire relevant expertise, networks, and legitimacy.

Overall, this dissertation provides important contributions to research and practice on the governance of INGOs and NPOs. In particular, the findings highlight the relevance of internal and external challenges that shape the governance of these organizations, which supports the *New NPO Governance* model. Practitioners find new models on the governance of INGOs and NPOs and information on how to effectively choose governance actors and institutions given different types of particular organizational and environmental challenges.

Zusammenfassung

Die vorliegende empirische, kumulative Dissertation untersucht mittels qualitativer und quantitativer Methoden die Governance Internationaler Nichtregierungsorganisationen (INGOs) unter Berücksichtigung interner und externer Herausforderungen. Der akteurszentrierte Institutionalismus und das *New NPO Governance* Modell bieten die theoretische Grundlage für diese Arbeit.

Der erste Artikel analysiert die Beziehung zwischen Board-Vorsitzenden und Geschäftsführen in Nonprofit Organisationen. Anhand des akteurszentrierten Institutionalismus zeigen wir, dass ein stabiles Machtverhältnis durch gleichwertige Fähigkeiten und komplementäre Präferenzen der beiden Akteure gekennzeichnet ist. Der Artikel führt das *Co-operative Power Relations* Modell ein und spezifiziert die Anwendung der Checks und Balances-Theorie im Kontext der Governance-Forschung.

Unter Verwendung der Resource Dependence-Theorie befasst sich der zweite Artikel mit Nominierungsverfahren für das Board und den Einbezug von Stakeholdern in der Governance von INGOs. Unsere Ergebnisse zeigen, dass die Wahl zwischen einem von den Mitgliedern gewählten oder einem von dem Board selbst im Hinblick auf die Repräsentation wichtiger Stakeholder zusammengestellten Boards abhängig ist von der Art der Finanzierung und dem Einbezug von Freiwilligenarbeit in der Organisation.

Der dritte Artikel untersucht Boards und ihre Zusammensetzung im Detail. Mittels eines holistischen theoretischen Rahmens zeige ich, dass Grösse, Aktivität und insbesondere Zusammensetzung der Boards abhängig sind von externen Faktoren wie etwa Art und Standorte der INGO-Aktivität sowie Quellen der Finanzierung. Die Ergebnisse legen nahe, dass INGOs ihre Boards in grossem Masse rational zusammensetzen um relevante Expertise, Netzwerke und Legitimität zu akquirieren.

Die Dissertation leistet einen wichtigen Beitrag zur Governance von INGOs für Forschung und Praxis. Die Ergebnisse unterstreichen analog zum *New NPO Governance* Modell insbesondere den Einfluss interner und externer Herausforderungen auf die Governance. Praktiker finden in der Arbeit neue Modelle und Hilfestellungen dazu, wie erfolgreich Governance-Akteure und -Institutionen unter Berücksichtigung der jeweiligen kontextuellen internen und externen Herausforderungen gewählt werden können.

1. Introduction

This paper-based dissertation deals with the governance of International Nongovernmental Organizations (INGOs) and Nonprofit Organizations (NPOs). I have identified three main governance challenges for these organizations and in my dissertation I analyze these three challenges qualitatively and quantitatively through an integrative perspective which incorporates internal and external drivers of these challenges. This approach is very much inspired by prior work in the field which has shown that organizational governance is a complex phenomenon that involves the personal characteristics of the governance actors, as well as organizational factors and environmental factors that shape the actual behavior and challenges of those actors (Aguilera & Jackson, 2003; Andrés-Alonso et al., 2009; Andrés-Alonso, Martín-Cruz, & Romero-Merino, 2006; Bradshaw, 2009; Hilb, 2008; Ostrower & Stone, 2009). This approach is reflected in the two theoretical models that I employ for this dissertation: actor-centered institutionalism (Scharpf, 1997) and the *New NPO Governance* model (Hilb & Renz, 2009).

The three main governance challenges I have identified are: 1) the power relation between the two main governance actors: the nonprofit board chair and the executive director, 2) board nomination modes and stakeholder representation, and 3) board attributes and board composition. All of these challenges are extremely relevant for practitioners and researchers because the governance of INGOs and NPOs is linked to organizational legitimacy, accountability, and performance (Anheier, 2005; Anheier & Themudo, 2005; L. D. Brown, 2008a; Foreman, 1999). These three main challenges will be described in detail in Chapter 2.2.

The governance of NPOs and INGOs is very different from the governance of private organizations or public entities because they do not have one formal owner, such as the shareholders of for-profit enterprises, but rather multiple owners such as donors and volunteers (Anheier, 2005). Thus, their managers have "an almost unmatched degree of autonomy" (Glaeser, 2003: 2), so that these organizations require effective internal governance mechanisms for their supervision (Gibelman & Gelman, 2001, 2004). In addition, nonprofit boards do not only fulfill controlling tasks: They may serve as a powerful tool for NPOs and INGOs to provide strategic direction, establish links to important stakeholders, acquire resources, and develop and guard the organization's overall mission.

It should be noted that due to the nature of a cumulative PhD thesis, some repetition throughout this dissertation is inevitable. All three papers form independent, stand-alone pieces of research. This dissertation is organized as follows: After the introduction, which covers the overall problem analysis, a description of the structure of my dissertation and necessary definitions, I present the literature review and the definition of three main challenges of NPO and INGO governance, which form the research gap and the research question. Chapter 4 introduces the methodology, and Chapter 5 presents the overall theoretical frame of this dissertation. Chapter 5, 6, and 7 encompass the three individual papers, which are the outcome of this dissertation. Chapter 8 elaborates on the insights of the dissertation for the New NPO Governance model. The final chapter discusses the overall contributions to practice and research as well as limitations and directions for future research.

1.1. Problem Analysis

1.1.1. The Third Sector as a Growing Economic and Political Force

The third sector is growing all over the world and gaining impact (Anheier, 2005; Boli, 2006; Salamon, 1997b). In fact, the growth of NPOs and INGOs has been one of the dominant and most striking features of world society in the past century (Fisher, 2003; Fowler, 1997; Keck & Sikkink, 1998; Lindenberg & Bryant, 2001). This importance can be illustrated by a few figures:

In Switzerland, in 2009, the 457 nonprofit organizations which hold the so-called ZEWO seal generated total revenues of 2,836 million CHF (ZEWO, 2009). The ZEWO seal distinguishes those NPOs which manage the funds entrusted to them in a conscientious manner. Not all organizations have been awarded that seal. In total the Swiss nonprofit sector is even much larger and historically constitutes "an indispensable civil societal link between citizens and the state" (Helmig, Bärlocher, & Schnurbein, 2009: 20).

On the international level, according to Boli (2006), currently 6,000 to 7,000 fully transnational international NGOs exist in addition to tens of thousands of transnationally oriented NGOs which are based in one single country but active internationally. Those organizations play a crucial role in global governance and

global policy making. Their impact has increased dramatically. For example, as of September 2009, there were almost 2,400 INGOs with consultative status at the Economic and Social Council of the United Nations. In 1989 only approximately 900 INGOs had that status, in 1999, ten years ago, only approximately 1,700 (Willets, 2010).

In sum, INGOs "make the world far more global than it would otherwise be" (Boli, 2006: 345) and hence the rise of global civil society has been characterized as a "global associational revolution" (Salamon, 1997b) comparable to the earlier rise of the nation-state.

1.1.2. The Unique Challenges of Nonprofit Governance

As NPOs and INGOs grow globally and gain further responsibility and impact, a public and scientific debate has emerged regarding whether these organizations are well prepared to play an effective and trustworthy role in global governance (Anderson & Rieff, 2004; Anheier & Hawkes, 2009; L. D. Brown, 2008a; Charnovitz, 2006; Dichter, 1989; Lindenberg & Bryant, 2001). Researchers and practitioners claim that nonprofit governance must be improved in order to secure organizational effectiveness, legitimacy, and accountability (Foreman, 1999; Fowler, 1997; Hall & Kennedy, 2008). Arguably, the performance of nonprofit boards and the design of nonprofit governance is an important determinant of organizational performance (W. A. Brown, 2005; Herman & Renz, 2000; Provan, 1980; Siciliano, 1996, 1997). These authors argue that shortcomings and public scandals in the sector

"point to a clear problem of governance. Symptoms of governance failures suggested in the cases examined include failure to supervise operations, improper delegation of authority, neglect of assets, failure to ask the "right questions," lack of oversight of the CEO, failure to institute internal controls, absence of "checks and balances" in procedures and practices, and isolation of board members from staff, programs, and clients." (Gibelman & Gelman, 2004: 370ff)

Academic research on nonprofit NPOs stresses that there are no effective external control mechanisms in place, so that these organizations require effective internal governance mechanism for their supervision (Glaeser, 2003). Other developments that have fueled the demand for better nonprofit governance are

increased professionalism in the sector and a greater complexity of the fields of activity in which they operate regionally, nationally, and internationally. Accordingly, the Swiss NPO Code¹ states that the

"boards, councils and committees of large NPO-Organisations are at present facing many new challenges due to the ongoing changes in their respective areas of activity along with the increasing complexity and professionalisation within their organisations. Thus there is a growing need for state-of-the art standards on how the responsibilities of these boards, councils and committees should be defined and regulated for the future."

This pressure has inspired much research on the topic and hence NPOs and INGOs are faced with recommendations from multiple directions on how they should design their governance (see for example Hilb & Renz, 2009). At the same time, INGOs face serious external challenges: resource scarcity, extremely volatile and challenging environments, and a multitude of stakeholders with often diverging interests (Salm, 1999). INGOs have answered these challenges collectively and individually, for example, by drafting the "International Non-Governmental Organisations Accountability Charter" (2005) and by adapting their global structures.

In this dissertation, I build upon current research on corporate and nonprofit governance to yield insights into this phenomenon. The particular challenges and research gaps will be presented in Chapter 2.2.

1.2. Research Objective

As outlined above, the third sector is gaining importance quantitatively and qualitatively worldwide and governance is one of the main challenges of these organizations to increase their legitimacy, accountability and performance. Hence, I am convinced that research on governance not only allows researchers to better assess and understand the particularities of the sector, but also helps practitioners in the field

¹ The Swiss NPO Code is owned by the Conference of the Presidents of Large Humanitarian and Relief Organizations of Switzerland and was adopted in 2006. For further information see <http://www.swiss-npocode.ch/>.

to cope with their daily challenges. Governance is key for these organizations to fulfill their missions and to act sustainably.

Thus, the objectives of this dissertation are twofold: On the one hand, the first paper on the power relation between board chairs and executive directors in NPOs is mainly aimed at providing a theoretical contribution to the field which is equally relevant for both researchers and practitioners. The analysis of four comparative cases and their main governance actors leads to the development of a model that we label co-operative power relations. That model describes a sustainable power relation between governance actors by analyzing their capabilities and preferences. Such a model can be used to select board members and executive directors and to assess the likelihood of governance changes in NPOs and INGOs. It further allows for the systematic integration of both organizational and environmental influences on nonprofit governance, which is decisive for an integrative analysis (Hilb & Renz, 2009).

On the other hand, the second and third papers aim to provide an important empirical contribution that tests the validity of existing research and helps us to better understand the Swiss INGO sector and the main governance challenges of INGOs. Such a contribution is also equally valuable for both researchers and practitioners. To date no profile of the Swiss INGO sector exists and even though several governance codes and guidelines have been developed, a systematic overview of the governance challenges in the sector is still lacking. Such an analysis can inform normative recommendations to the sector and help us to evaluate how INGOs currently deal with their challenges. The first paper aims to help us to understand how INGOs deal with their various stakeholders and what role they play within their internal governance, depending on internal and external determinants. The second paper analyzes INGO boards in detail by looking at their structures and compositions. The aim is to understand how INGOs configure their boards, what type of board members they recruit, and to what extent those decisions depend on internal and external determinants.

1.3. Structure of the Dissertation

This paper-based dissertation is divided into three individual papers (see Table 1). All three papers have been discussed and presented at leading international conferences in the field and submitted to the three leading A-journals in the field: *Nonprofit Management and Leadership*, *Voluntas: International Journal of Voluntary Action* (Special Issue on Governance), and *Nonprofit and Voluntary Sector Quarterly*. The first two papers have been revised and resubmitted, the third paper is under review.

Table 1: Structure of the Dissertation and Publication Status

Paper	Authors	Conference Presentation	Publication Status
I Co-Operative Power Relation between Nonprofit Board Chairs and Executive Directors	Florian Rehli & Urs Jäger	ARNOVA 2009, Cleveland	Nonprofit Management and Leadership A-journal according to WU-Journal Rating Revise and Resubmit
II The Governance of International Nongovernmental Organizations: How Funding and Volunteer Involvement Affect Board Nomination Modes and Stakeholder Representation in International Nongovernmental Organizations	Florian Rehli & Urs Jäger	ARNOVA 2009, Cleveland, and 9th Annual Meeting of the European Civil Society Ph.D. Dissertation Network (Leuven, May 2009)	Voluntas (Special Issue on Governance) A-journal according to WU-Journal Rating Forthcoming
III Who Governs International Nongovernmental Organizations? Determinants of Board Attributes in International Nongovernmental Organizations	Florian Rehli	European Summer School on Social Economy (Bologna, July 2009), and ARNOVA 2010, Alexandria	Nonprofit and Voluntary Sector Quarterly A-journal according to WU-Journal Rating Under review

The first paper explores the relationship between board chairs and executive directors in nonprofit organizations (NPOs) given environmental and organizational pressures. Employing actor-centered institutionalism, we find that a stable power relationship is characterized by the actors' equal capabilities and complementary

preferences. The paper concludes by introducing a co-operative power relations model that specifies the concept of checks and balances between the main governance actors.

Following resource dependency theory, the second paper studies board nomination modes and stakeholder representation in INGOs. We find that the choice between a board elected by the membership and a board appointed to represent major stakeholders depends on the different sources of funding and volunteer involvement. Individual and organizational members and governmental donors hold a stronger position in the governance of INGOs than philanthropists, foundations and volunteers.

The third paper explores the boards and board members of INGOs in detail. Applying a holistic theoretical framework, I find that board size, activity and, particularly, composition vary significantly among INGOs, primarily depending on external factors such as the areas and regions of activity as well as sources of funding. The results suggest that INGOs, to a large extent, design their boards rationally to acquire relevant expertise, networks, and legitimacy.

Further, my research has been financially supported through awards for outstanding research by the Association for Research on Nonprofit Organizations and Voluntary Action (ARNOVA) and funding by the Dr.h.c. Emil Zaugg Funds (see Table 2).

Table 2: Awards and Funding

Award	Description
ARNOVA Doctoral Fellows Award 2009	Scholarship for participation in the ARNOVA 2009 Conference and for participation in the doctoral seminar (950 CHF).
ARNOVA Emerging Scholars Award 2010	Scholarship for participation in the ARNOVA 2010 Conference (1,150 CHF)
Dr.h.c. Emil Zaugg Funds	Financial support of the research project "The Governance of International Nongovernmental Organizations" (2,350 CHF)

1.4. Definitions

Due to the interdisciplinary and young character of the field, nonprofit research is characterized by some inconsistencies and disagreement around the definition of central concepts and terms. Therefore, it is important to clarify definitions:

There is a wide variety of organizational forms and activities of *nonprofit organizations* (NPOs). Nonprofit organizations can be large international volunteer associations and development organizations, hospitals and museums, foundations, co-operatives, unions, etc (Anheier, 2005; Salamon, Sokolowski, & List, 2003). For a definition, the term "nonprofit" is misleading as many nonprofit organizations do indeed make profit. The difference from for-profit firms is that they do not distribute their profit among the owners of the organization but reinvest it in their activities². However, as most of the existing literature relies on the term 'nonprofit organization', I do so as well. Most frequently, an organization is defined as a nonprofit entity if it shows the following five characteristics (Anheier, 2005: 47ff.):

1. Organized, i.e., institutionalized to some extent,
2. private, i.e., institutionally separate from government,
3. self-governing, i.e., equipped to control their own activities,
4. non-profit-distributing, i.e., not returning profits generated to their owners or directors,
5. voluntary, i.e., involving some meaningful degree of voluntary participation.

An *international nongovernmental organization* (INGO) is a subtype of nonprofit organization (Lewis, 2006; Martens, 2002; Salamon et al., 2003; Vakil, 1997). INGOs are self-governing, private, not-for-profit, and have an explicit social mission (Vakil, 1997). Their status in international law is still disputed, even though the UN Charter explicitly addresses INGOs as actors in international relations (Vakil, 1997). Most INGOs are constituted as foundations, associations or co-operatives under national law and do not enjoy international legal personality (Charnovitz, 2006). They can include campaigning groups such as the World Wildlife Foundation, professional societies like international employers federations or trades unions, charities such as Swissaid, as well as think tanks and international commissions. Vakil has argued that INGOs can be classified into five functional categories: welfare, development, advocacy, development education, and networking or research. They can also be classified by the benefits they create (Foreman, 1999), their strategies, or by their areas of activities.

² The exception being co-operatives, which actually do distribute profits among their members but are nevertheless often included in the nonprofit category.

The term *governance* is used in a variety of contexts to describe decision-making processes in organizations and entities such as companies, public administrations, countries, INGOs, and NPOs. Even though there is an immense amount of research and discussion on the application of the concept in different contexts, the term lacks a common interdisciplinary definition. Corporate governance is often defined as a system "by which companies are directed and controlled" (Cadbury, 2002: quoted in Hilb, 2008: 9). Hilb defines *New Corporate Governance* as a system "by which companies are strategically directed, integratively managed and holistically controlled in an entrepreneurial and ethical way and in a manner appropriate to each particular context" (Hilb, 2008: 9).

Similarly, *nonprofit governance* can be defined as a system by which NPOs are directed and controlled. In other words, "governance is about ensuring the fit between the organization's mission and its activities and performance" (Anheier, 2005: 231). Often governance is seen as the task of boards or organizational leaders. Researchers largely agree that an unadjusted adoption of corporate governance models in the nonprofit sector is neither feasible nor desirable (Alexander & Weiner, 1998; Hilb & Renz, 2009; Speckbacher, 2008). In this dissertation I present research on the governance of NPOs and INGOs and show how these concepts build upon and differ from corporate governance concepts.

If not otherwise identified, I use the term *executive director* or *chief executive officer (CEO)* to describe the highest ranking staff position within a nonprofit organization, even though it is often also referred to as executive director, secretary general, etc. In turn, *president* or *head of the board* refers to the highest ranking volunteer position chairing the board of directors.

Like other organizations, nonprofit organizations have a *governing body* and an *executive body* in the two-tier model (Siebart & Reichhard, 2004). The governing body may be composed of the representatives from national member organizations who are part of the INGO's federal structure³. Often it is referred to as the advisory council, board of trustees or the board of directors. The governing body is led by the president.

³ A problematic fact in this regard is that some INGOs have country offices in developing countries which are not considered national members and hence are prevented from gaining access to governing and executive boards (Kovach, 2007).

The executive body, often referred to as the International Secretariat, comprises the chief operating or managing officers and is led by an executive director or CEO.

2. Literature Review and Research Gaps

2.1. Literature Review

Although the empirical focus of my dissertation is the governance of INGOs, my literature review is mostly based on research available on national NPOs. The reason is that, in terms of quantity and also quality, research on nonprofit governance in general is much richer than specialized research on the governance of INGOs. As INGOs are a subtype of NPOs (Salamon et al., 2003; Vakil, 1997), they share important structural and operational similarities with them and it is useful to combine the two literature streams (Lewis, 1998). Whenever possible, I cite specific research on the governance of INGOs.

Large parts of the governance literature focus on private corporations and have been inspired by regulation-, accountability-, and oversight shortcomings in this sector, but there also is a growing interest in the governance of NPOs as well. Similarly to the case of private corporations, this can be attributed to public scandals and a common observation that the efficiency of NPOs will be improved by better governance practices (Gibelman & Gelman, 2001; Hayden, 2006; McGann & Johnstone, 2004). Nevertheless, many scholars continue to complain that research on nonprofit governance is relatively under-theorized and has developed separately from corporate governance research (Cornforth, 2003).

This is only partly true as research on nonprofit governance has grown tremendously in the past ten years. The field is diverse and dynamic (Cornforth, 2003; Holland, 2008; Jegers, 2009; Miller-Millesen, 2003; Murray, 1998; Ostrower & Stone, 2006; Saidel, 2002). Two different sets of issues lie at the core of nonprofit governance designs and challenges: (1) In terms of actors, the major question is *Who is - or should be - in charge of the organization and to whom are these actors accountable?* (2) In terms of processes, the major question is *How are governance decisions made?* (Murray, 1998). Further, we can distinguish between two major research directions: normative and analytical.

2.1.1. Normative Approaches to Nonprofit Governance

The normative literature addresses the question of who should be in charge of the organization. One frequent claim in this line of research is that boards fail to

govern properly - either by leaving the decision-making process de facto to the paid executives or by becoming involved too deeply in the day-to-day operational business of the NPO or INGO.

Carver (1997) presents a one-size-fits-all governance model - the *policy governance model* - which in his view explains how to reframe and improve strategic board leadership in both nonprofit and public organizations. According to his heavily cited model, the central function of the board is leadership for the purpose of *policy clarification* in four areas: ends and results, executive limitations, the board-executive relationship, and board process. The model clearly subordinates the CEO to the board, whereas the latter, according to Carver, should in turn not become too deeply involved in management.

Houle (1997) presents another influential and traditional model of board governance. He argues for a clear separation of duties and powers in which the work is done by the staff, the administration by management, and policy making by the board. In this model, even though the board is truly in charge of the organization, there is a balanced partnership between the board and the executives.

Another normative approach in law and managerial literature to governance involves the definition of tasks and responsibilities of the boards of NPOs (see for example Anheier, 2005; Axelrod, 2005; Hilb & Renz, 2009). In Switzerland, the Swiss NPO Code (KPGH, 2006) addresses these issues in detail and assigns both controlling and strategic tasks to the board. At the international level, some of the largest INGOs have adopted the International Accountability Charter (2005) at the same time. The charter assigns the following tasks to the board: "It will define overall strategy, consistent with the organisational mission, ensure that resources are used efficiently and appropriately, that performance is measured, that financial integrity is assured and that public trust is maintained".

Many authors have argued against traditional normative governance models (see for example Duca, 1996; Heimovics & Herman, 1990; M. K. Robinson, 2001) because they put the board unequivocally in charge of the organization and thereby create unrealistic expectations. Block (1998) asserts the relative power of the CEO within a NPO and his view that board members cannot truly govern the organization and carry out their legal governance functions without interfering selectively in operational matters. In his view, the "executive director is the real key to board success" (Block, 1998: 108) and should be equally in charge of the organization.

Another criticism is that in traditional models boards focus too much on issues such as oversight, accountability, and commercial effectiveness and therefore become less responsive to community needs (Bradshaw et al., 1998).

2.1.2. Analytical approaches to Nonprofit Governance

Analytical approaches to nonprofit governance describe which actors actually govern the organization and how the roles of the different actors emerge and change over time. Scholars in this research stream reject the hypotheses that there is a one-size-fits-all model for nonprofit governance. To address analytical questions, authors identify actors involved in governance decision-making processes and potential stakeholders whose interests are being affected by their decisions. Such actors and stakeholders are typically the board and its members, the CEO and management board, paid staff as well as volunteers, members, funders, and recipients of the organization's services.

In this section I present six theories on governance: (1) principal-agent theory, (2) stewardship theory, (3) resource dependency theory, (4) stakeholder theory, (5) social constructivist theory, and (6) neo-institutional theory. I evaluate the implications of these theories for nonprofit governance⁴.

Principal-Agent Theory

Principal-agent theory is the most widely used source for corporate governance theory (Daily et al., 2003). The theory distinguishes between the owners of an enterprise (the principal) and those that manage it (the agent) and assumes that both have different interests. In this view, governance is a means to ensure that the agent complies with the interests of the principal. Hence, the primary function of the board is to select appropriate agents and to control them (Eisenhardt, 1989; Fama & Jensen, 1983; Pratt & Zeckhauser, 1985). Therefore, the board should be independent and powerful.

Interestingly, Fama and Jensen (1983) claim that for every NPO the donor is the principal and the nonprofit administrator is the agent. That is why, according to their

⁴ For an overview on corporate governance theories, see Hung (1998) and Daily, Dalton, and Cannella Jr (2003).

observation, "the only NPO that is financed with donations but lacks a board of important continuing donors with effective decision control rights is the Roman Catholic Church" (Fama & Jensen, 1983: 320). However, this view of ownership in NPOs is not consistent with the analytical results of nonprofit governance research (J. L. Miller, 2002).

In fact, the application of this theory to nonprofit governance is difficult because the definition of who is the principal and who is the agent is not as clear as in the corporate world (Ostrower & Stone, 2006; Steinberg, 2010). Nonprofit organizations do not have formal owners. In that sense, principals can rather be volunteers and members who dedicate their free time to a certain mission, the recipients or customers of services or, for example, the founders of the organization. Brown and Moore also make the point that in an NPO or INGO "an actor could feel and act as though it were accountable to an abstract purpose. An INGO, for example, could easily say that it is accountable for the achievement of some transcendent moral value, such as the advancement of human rights" (L. D. Brown & Moore, 2001: 570-571). Furthermore, the theory falls short in addressing internal rather than external mechanisms and the roles of principles in shaping agent performance. Nevertheless, a variety of authors have shown that it can serve as a useful theoretical framework for nonprofit governance (Du Bois et al., 2009; J. L. Miller, 2002; Speckbacher, 2008) and accountability in NPOs (Ebrahim, 2003).

Stewardship Theory

In contrast to principal-agent theory, stewardship theory assumes that managers behave as if the organization were their own and therefore act as effective stewards of an organization's resources (Davis, Schoorman, & Donaldson, 1997; Muth & Donaldson, 1998). That is why the main function of the board is to improve organizational performance instead of solely ensuring management compliance. In this sense, the role of the board is primarily strategic.

Several authors have applied stewardship theory to different aspects of nonprofit governance (Caers et al., 2006; Low, 2006). Drucker (1990) and others have labeled this approach the partnership model and describe nonprofit governance according to roles, responsibilities, and expectations in contrast to models which describe and prescribe hierarchical governance structures.

Resource Dependency Theory

Resource dependency theory views organizations as embedded in and interdependent with their environment (Pfeffer & Salancik, 1978). The survival and impact of an organization depends on external resources - and hence the governance of an organization should ensure that it acquires them. From this point of view, the main function of the board is to create links to the environment, to obtain necessary information, to maintain and develop good relations with external stakeholders, and to help the organization to respond to external change. The board functions as a resource in itself by providing legitimacy, advice, and links to other organizations (W. A. Brown, 2005).

The application of this theory in the nonprofit world is particularly fruitful since NPOs and INGOs depend heavily on external funds, volunteer work, and public support. In fact, it can be regarded as the dominant approach to the analysis of nonprofit boards (Miller-Millesen, 2003). Several authors have analyzed nonprofit governance in terms of resource dependency (Harlan & Saidel, 1994; Heimovics, Herman, & Jurkiewicz, 1993; Padanyi & Gainer, 2003; Pfeffer, 1973; Provan, 1980; Provan, Beyer, & Kruytbosch, 1980). One major implication is that board members are selected to represent key external stakeholders, for example, donors.

Stakeholder Theory

In contrast to principal-agent theory, which is focused on the owners (in a corporate setting, the shareholders), stakeholder theory assumes that organizations are accountable to a larger set of institutions or actors. In order to ensure sustainable long-term performance, board members have to monitor and manage this relationship and ensure organizational responsiveness.

The principles of stakeholder involvement in NPOs and INGOs are not as controversial as in corporate governance (Cornforth, 2003). As indicated by the International Accountability Charter, they can be seen as being accountable to a wide range of stakeholders and therefore a stakeholder perspective yields important insights (Abzug & Webb, 1999; Balser & McClusky, 2005; W. A. Brown, 2002; Rikki & Natalie, 1999): Key roles of nonprofit boards are to represent key stakeholders, to facilitate negotiation, to resolve potentially conflicting interests, and to ensure that management acts in the interest of these stakeholders. In addition, they evaluate "the

appropriateness of the expectations against the values and mission of the organization, the executive's professional norms, and the organization's own interpretation of the public good" (Balser & McClusky, 2005: 295-296). Herman and Renz (1998) found empirical support for this thesis: Effective NPOs and INGOs have effective boards in that they possess higher social prestige, use more practitioner-identified correct management styles, and use more change management strategies.

Social Constructivist Theory

Deriving from sociology and organization theory, social constructivist theory argues that reality is socially constructed and that an interpretative framework can help to understand organizations and their behavior. It puts special emphasis on organizational cultures (Schein, 1992).

The approach is helpful in understanding the missions and effectiveness of NPOs and INGOs. Authors such as Heimovics and Herman (1990) or Herman and Renz (1997) show how nonprofit effectiveness is "based on a set of socially constructed and loosely shared understandings that various organizational stakeholders generate" (Bradshaw, 2002: 472). Hence, two primary functions of a board are to constitute and represent shared beliefs held by the organization's members (Golden-Biddle & Rao, 1997) and to manage and mediate stories about the organization (Bradshaw, 2002). Also, on a broader level, social constructivist theory has been used to show the impact of languages, ideologies, and cultures on the behavior of nonprofit boards (Daley, Netting, & Angulo, 1996).

Neo-institutional Theory

Neo-institutional theory suggests that corporations and nonprofits are susceptible to external legitimacy demands and therefore tend to rationalize internal structures in order to ensure survival (Scott, 2001; Suchman, 1995). This is viewed as a dynamic process: Organizations restructure themselves and adopt practices and organizational designs to conform to external demands. From a macro-perspective, neo-institutional theory helps to explain why many boards and organizations engage in similar activities and develop comparable structures (Zucker, 1987).

As DiMaggio and Powell (1983) suggest, particularly nonprofits have to adapt rapidly to external change. Neo-institutional theory has consequently been applied by

several authors to explain governance and organizational change in the nonprofit sector (Hager, Galaskiewicz, & Larson, 2004; Leiter, 2005). They suggest that nonprofit boards are one way to communicate externally the organization's responsiveness to efficiency norms as well as interests, identities and preferences of key stakeholders (Abzug & Galaskiewicz, 2001)⁵. Since board members are the key representatives of an NPO or INGO, their perception by external stakeholders becomes a basis for legitimacy claims. Hence, nonprofit boards should be selected to represent these external demands, for example, by nominating representatives of key stakeholders and professional business experts. The aim is not to improve performance but to secure legitimacy and access to financial donations (Abzug & Galaskiewicz, 2001).

2.1.3. The Governance of INGOs

While INGOs have received a lot of attention as actors of global governance (Teegen et al., 2004)⁶, their internal organizational structures, management, and governance remain fields which need further systematic research (Lewis, 1998, 2005, 2006). In a broad review based on interviews with the leaders of the world's largest INGOs, Lindenberg and Dobel (1999: 22) conclude that a "special urgency exists in the need to explore models of governance of global NGOs". Lewis (1998) states that "operational issues have hardly featured at all in the NGO literature".

The governance of INGOs - as a subtype of NPOs - has received far less attention than the governance of national NPOs, even though their impact and responsibility has grown dramatically in the past decades (Anheier & Themudo, 2005; L. D. Brown, 2008b; Curbach, 2003; Foreman, 1999; Hudson & Bielefeld, 1997; Lindenberg & Bryant, 2001). This trend has been accompanied by a greater scrutiny of their performance and accountability.

⁵ Neo-institutional theory focuses on external demands from above, whereas the nonprofit sectors faces multiple demands from local constituencies. Abzug and Galaskiewicz, 2001, show how to combine both views.

⁶ For a critical review see Tvedt (2006).

However, empirically, we know little about the governance of INGOs and very few studies are available (L. D. Brown, 2008b; Foreman, 1999; Fowler, 1997; Lindenberg & Bryant, 2001; Salm, 1999). In most INGOs, a general assembly constitutes the highest body, a governing board oversees governance, members elect a president, and the staff consists of both volunteers and non-volunteers. In typical international federations, the board is usually elected by the members of the INGO, which, according to Anheier and Themudo (2005), creates a conflict between the logics of democracy and effectiveness. In contrast, INGOs which are supported by their members and not organized democratically internally have boards which are self-appointed and try to represent the important stakeholders: In the so-called donor-member-dominated federations the membership on the international board depends primarily on a member's capacity to generate resources for the organization (Foreman, 1999). In so-called global bumblebee federations, board membership is based rather on a member's geographic region and representativeness (Foreman, 1999).

Similarly, Enjolras (2009) distinguishes between membership organizations and board-managed organizations. In membership organizations the annual general meeting of members elects a board to oversee organization management. On the other hand, in board-managed organizations, board members are usually appointed by external organizations or authorities (for example, governments) or are self-recruited and self-perpetuating.

In this context, authors agree that for INGOs "critical challenges develop from the need to remain accountable to a diverse and dispersed membership base, which poses crucial questions for internal democracy, accountability, effectiveness, and legitimacy" (Anheier & Themudo, 2005: 186). Membership-based governance is "understood to be more democratic, more accountable, and more egalitarian, reflecting qualities within the organization that it advocates in society" (Anheier & Themudo, 2005: 189) but also as a cost- and complexity generating feature.

According to Foreman (1999: 178), executives and board members of the largest INGOs expect their organizations "to have global governance structures that incorporate fully vested partners from the north and south". A typical strategic question in this context is whether to centralize or decentralize global governance structures (Foreman, 1999; Young, Bonnie L. Koenig, Najam, & Fisher, 1999). In completely decentralized INGOs, each local organization has its own board and makes

autonomous decisions about strategy and implementation. Most large INGOs have experienced both significant centralization and decentralization processes.

2.2. Research Gaps and Research Questions

Based on this literature review, I identify the research gap, which covers three main challenges of nonprofit governance: 1) the power relation between the two main governance actors: the nonprofit board chair and the executive director, 2) board nomination modes and stakeholder representation, and 3) board attributes and board composition. All of these challenges are highly relevant for practitioners and researchers because the governance of INGOs and NPOs is linked to organizational legitimacy, accountability, and performance (Anheier, 2005; Anheier & Themudo, 2005; L. D. Brown, 2008a; Foreman, 1999). In the following subsections I outline the three challenges, the corresponding research gaps, and the research questions.

2.2.1. The Relationship between Board Chairs and Executive Directors

The first challenge I have identified is the relationship between the board chair and the executive director in NPOs and INGOs. This relationship is often characterized by legal and managerial tension: Legally speaking, board chairs and boards of directors bear the ultimate responsibility for the long-term development of their nonprofit organization. On the other hand, executive directors are the formal head of the highest operational decision-making board and responsible for the daily operational activities of the organization. The increasing pressure on both of these actors to attain high standards of professionalization and managerial excellence is a contemporary phenomenon (Frumkin, 2002; Salamon, 2003). Nevertheless, there are still unclear patterns in the effects of environmental and organizational pressure on the relationship between the board chair and the executive director (Kramer, 1985; Murray, Bradshaw, & Wolpin, 1992; Zald, 1969).

In the literature review I noted that a lot of research on nonprofit governance deals with the division of tasks and responsibilities between those actors (Iecovich & Bar-Mor, 2007; Murray et al., 1992; Ostrower & Stone, 2006). Whereas some authors argue in favor of a clear separation of powers in which the board leads the organization strategically and the management is in charge of the daily operational

challenges (Carver, 1997; Houle, 1997), others argue that the executive director is the real key to the board's and to the organization's success (Block, 1998; Herman, Renz, & Heimovics, 1997). Drucker (1990) supports the idea of balanced partnership. He assumes governance to be an issue of checks and balances that includes professional knowledge by the board chair as well as the executive director.

Analytically, the relationship between these two actors is hence one of the critical aspects of governance, and one decisive element in this relationship is power. Most scholars agree that power in this context is the ability to execute one's will against resistance (Anheier, 2005) and is shaped both by the organization's constitution as well as by the specific capabilities and preferences of the actors. Those capabilities and preferences arguably affect the power relation and the likelihood that one of the actors will be put into a position to carry out his own will despite resistance from the other (Golden-Biddle & Rao, 1997).

This paper contributes to understanding the relationship between these two main governance actors by analyzing how it is affected by organizational and environmental pressures. The overall research question is: *What characterizes the power relation between the board chair and the executive director in nonprofits which have undergone fundamental changes in their governance structures?*

2.2.2. Board Nomination Modes and Stakeholder Representation

Whereas the first challenge deals with the relationship between the head of the board and the executive director, the second challenge deals with the fundamental question of how nonprofit organizations deal with their stakeholders and which role they assign them within their internal governance: Which stakeholders does the organization not only deem important in its missions and activities, but also within its internal governance structures? For example, which stakeholders hold the right to vote for board members and which stakeholders actually sit on the board?

This is a question which is particularly relevant for INGOs, because they deal with a very diverse and heterogeneous set of stakeholders. For example, in their "Accountability Charter" (2005), the world's largest and most important INGOs describe the wide range of their stakeholders:

- *"Peoples, including future generations, whose rights we seek to protect and advance;*

- *Ecosystems, which cannot speak for or defend themselves;*
- *Our members and supporters;*
- *Our staff and volunteers;*
- *Organisations and individuals that contribute finance, goods or services;*
- *Partner organisations, both governmental and non-governmental, with whom we work;*
- *Regulatory bodies whose agreement is required for our establishment and operations;*
- *Those whose policies, programmes or behaviour we wish to influence;*
- *The media; and*
- *The general public."*

The tremendous variety of stakeholders that INGOs perceive clearly indicates that it is extremely difficult from an external but also from an internal point of view to define which groups constitute relevant stakeholders and what role they should play within the governance of an organization. A governance problem arises because in INGO long-term relationships the use of resources cannot be specified in advance. Internal governance then is interpreted as a mechanism that determines the position (in particular the bargaining power) of each stakeholder (Speckbacher, 2008).

In this context, board nomination modes and stakeholder representation constitute a crucial aspect of effective oversight and checks and balances: Democratically elected international boards enhance the internal accountability and external legitimacy of INGOs (Weidenbaum, 2009). They allow organizational actors to execute so-called residual rights of control, for example, giving regional organizations the right to influence the mission and policies of the INGO and to take part in the oversight of executive directors. The nomination of major stakeholders for the board in turn allows these stakeholders to directly supervise and influence the use of their resources.

In accordance with resource dependency theory and stakeholder theory (Freeman, 1984; Pfeffer & Salancik, 1978; Speckbacher, 2008), I quantitatively test determinants of two board nomination modes: first, the nomination mode of membership organizations, where the board is elected by the organizational actors and members, and, second, of board-managed organizations, where the board is appointed by the most influential external stakeholders or where the board is self-selected or self-perpetuating (Enjolras, 2009; Salamon, 1997a). The choice between the two models

has significant implications for the governance of INGOs and the power of different stakeholders: In membership organizations authority and control ultimately rest with the members of the INGO. In board-managed organizations, governance relies much more on the integrity of the board members and on their accountability to the various internal and external stakeholders (Enjolras, 2009).

Following resource dependency theory and stakeholder theory, I argue that providers of funding and volunteers are the primary stakeholders in an economic sense and therefore they should be granted residual rights of control by the INGO. Consequently, the research question is: *To what extent do board nomination modes and stakeholder representation in international nongovernmental organizations depend on different types of funding and volunteer involvement?*

2.2.3. Board Attributes and Board Composition

The first and second challenges for nonprofit governance directly point to the third and ultimate challenge that NPOs and INGOs have to deal with: board attributes and board composition. These organizations are faced with recommendations from a variety of angles on how they should structure their boards (Carver, 1997; Heimovics *et al.*, 1993; Hilb & Renz, 2009). This has also led to the development of governance codes for NPOs and INGOs. In Switzerland, in 2005, the first European Governance Code for foundations was established and was followed by the first code for humanitarian organizations in 2006 (Helmig *et al.*, 2009; Jakob, Huber, & Rauber, 2009). Typical questions practitioners face are the optimal number of voting members, the composition of the board in terms of diversity and nomination, the subcommittee structure, the role of the CEO within or outside the board, the degree of professionalization with regard to the percentage of outsiders on the board, and compensation for board members, etc.

Nevertheless, analytically, we know little about board attributes. In particular, a comparative view on these issues and the analysis of internal and external determinants of those attributes is lacking (Lewis, 1998). This is an important gap as INGOs lack effective external oversight (Glaeser, 2003). Therefore, effective internal governance mechanisms, which are ultimately the responsibility of the boards and their members, are necessary to ensure effective oversight and control. Even more importantly, well-designed and -composed boards can serve as a powerful tool for INGOs to acquire relevant know-how, networks, resources, and legitimacy. Therefore

it is vitally important for INGOs to have effective boards with the right board members. Depending on different organizational profiles, different fields of activity and different sources of funding, INGOs will arguably need different boards: For example, INGOs with a higher degree of internationalization will need to reflect that international profile on the board level; INGOs which deal with human rights issues will need legal experts on the field; and INGOs which generate a lot of resources through donations from individuals will need fundraising and public relations experts on the board.

Employing a holistic perspective encompassing internal and external determinants, I derive hypotheses from the empirical literature on nonprofit governance and test whether they are valid for this subtype of NPO. I add variables which arguably are relevant for the governance of INGOs, such as the degree of internationalization and regions of activity. The overall research question is: *To what extent do board attributes and board composition in international nongovernmental organizations depend on internal and external determinants?*

3. Theory

The literature review above points to several important characteristics of the third sector. The presence of multiple stakeholders with possibly diverging interests, the difficulties of measuring performance, the involvement of voluntary employees with highly normative motivations, the fundamental dependence on external resources, and the immense diversity in terms of organizational types, activities, and governance structures are just a few examples. None of the models presented can be applied equally to every kind of organization at every point in time. As Wood (1992) notes, it is likely that roles, responsibilities, and powers of the key governance actors change over time. Depending on the type, development stage, and environment of the NPO, different governance patterns can emerge (Dart et al., 1996; Zald, 1969).

Several authors have tried to combine theoretical approaches to construct realistic and integrative nonprofit governance models (Andrés-Alonso et al., 2009; Andrés-Alonso et al., 2006; Bradshaw, 2009; Hilb, 2008; Ostrower & Stone, 2009). Miller-Millesen (2003), for example, combines principal-agent, resource dependency, and institutional theory to predict under which conditions nonprofit boards are likely to assume certain roles and responsibilities.

Based on this literature review, I have identified two theoretical models to guide the empirical analyses of this dissertation: actor-centered institutionalism (Scharpf, 1997) and new NPO governance (Hilb & Renz, 2009). I will outline these two models in this chapter. It is important to note that although those two models inform all three studies, the particular theoretical approaches of the three papers vary. Therefore, detailed information on the individual theoretical approaches of the papers can be found in the relevant subchapters 5.3, 6.3, and 7.3.

3.1. Actor-centered institutionalism

Actor-centered institutionalism was developed for comparative policy analysis, drawing upon game-theory and institutionalism (Scharpf, 1997). As Aguilera and Jackson (2003) show, it can be beneficial to the study of corporate governance and bridge the gap between under-socialized agency theory and over-socialized institutionalism:

Agency theory is solely focused on the actors of governance and does not take into account external conditions that shape the options that these actors actually have. The theory uses the metaphor of a contractual relationship and is concerned with two agency problems: One that arises when the goals and preferences of the principal and the agent conflict and another when it is difficult or expensive for the principal to verify how the agent is actually behaving (Eisenhardt, 1989). As Scharpf explains, actors rely on different capabilities such as, for example, resources, privileged access to information, specific skills, and networks. However, in addition, “actors respond differently to external threats (...) also because their perceptions and preferences are very much shaped by the specific institutional setting within which they interact” (Scharpf, 1997: 36-37). In other words, actor-centered institutionalism "emphasizes the influence of institutions on the perceptions, preferences, and capabilities of individual and corporate actors and on the modes of their interaction" (Scharpf, 1997: 38). Institutions are defined as "systems of rules that structure the courses of actions that a set of actors may choose" (Scharpf, 1997: 38). These can include formal legal rules as well as social norms. On the other hand, a pure observation of these institutions that does not analyze the actors and their preferences fails to take into account internal dynamics of governance.

The application of the theory to nonprofit governance can be divided into several steps. First, the units of analysis have to be identified. Then, relevant actors (corporate or individual) and their specific capabilities as well as perceptions and preferences need to be defined. Going into further detail, researchers can describe the constellation (players involved, strategy options, outcomes associated with strategy combinations, and the preferences of the players over these outcomes) and the mode of interaction (unilateral action, negotiated agreement, majority vote or hierarchical direction).

Without pursuing all of those steps in this dissertation, I show how actor-centered institutionalism can be used as an inspiration for qualitative and quantitative studies: In the first paper of my dissertation, I identify the head of the board and the executive director as relevant governance actors with specific capabilities and preferences. According to Scharpf, those two characteristics, along with the perceptions of the actors which I do not analyze in detail in this dissertation, shape the actions of those actors individually as well as collectively, as they influence the outcome of negotiations between the actors.

3.2. New NPO Governance

The *New NPO Governance* model is related to that approach. Hilb (2008) and Hilb and Renz (2009) provide practitioner-oriented models for corporate governance (New Corporate Governance) and nonprofit governance (New NPO Governance). They are based on the observation that individual analytical theories such as principal-agent theory, resource dependency theory or institutional theory fall short in fully explaining corporate governance challenges. Therefore, Hilb proposes an integrated, holistic perspective. The model is based on a reversed "KISS-principle" and deals with corporate governance on four interdependent dimensions: (1) Keep it controlled, (2) integrated, (3) strategic, and (4) situational (see Table 3).

Table 3: New Corporate Governance

Dimension	Theoretical basis	Issues	Recommendation
Controlled	Principal-agent theory, stakeholder theory.	Auditing, risk management, communicative and evaluative functions of the board.	Holistic long-term performance evaluation by the shareholders, customers, employees and the public. Effective auditing and risk management.
Integrated	Resource dependency theory.	Board management and evaluation.	Integrated selection, assessment, reward, and support of the supervisory and management board.
Strategic	Stewardship theory, role theory.	Strategic direction of the corporation by the board.	Corporate strategy as a central function of the supervisory board. Exemplary board team, constructive board culture, simple and networked board structures and processes, stakeholder-oriented board performance criteria.
Situational	Institutional theory, situational leadership theory.	Adaption to the external and internal context of a corporation.	Well-directed adaption to the environment of the corporation.

Source: Based on Hilb (2008).

The new corporate governance model has inspired research on nonprofit governance (Hilb & Renz, 2009; Renz, 2007) and holds vital implications for this field of research. The main message is that there is no one-size-fits-all model for corporate or nonprofit governance and that holistic, integrated approaches to nonprofit governance have to address the four described dimensions. In the following section, I evaluate how this is the case in the above-described research.

Keep it Controlled

As described in Table 3, the controlling dimension of new corporate governance encompasses board tasks such as auditing, risk management, communication, and performance evaluation. Typically, nonprofit boards struggle with these issues and have come under pressure to raise standards in this area. Accordingly, the Swiss NPO Code states:

"As a rule, the Council of Governors provides strategic leadership and assumes medium- to long-term leadership and monitoring functions. The Council of Governors bears overall responsibility for the Foundation, in particular for its business activities, the administration and use of the Foundation's funds; for Risk Management and effective controlling (§ 12)."

Normative models by Carver (1997) and Houle (1997) also include auditing, risk management and performance evaluation. Nevertheless, in an analytical study, Miller (2002) shows that nonprofit board exercise different monitoring activities than corporate boards. In particular, there is no strict control of management activities since these boards believe that "the executive management will not act opportunistically and that what management actually does is to ensure goal alignment and convergence in its relationship with principals" (J. L. Miller, 2002: 446-447). Also, since NPOs find it difficult to measure organizational effectiveness, often there are no clear indicators of or standards for performance evaluation.

Keep it Integrated

The new corporate governance model recommends an integrated selection, assessment, reward, and support of the supervisory and management board. Clearly, the governance of NPOs lags behind this recommendation in practice and research.

An important feature of nonprofit boards is that board members often get no reward for their mandate (Preston & Brown, 2004) and are selected for very specific criteria, as, for example, the representation of major donors or members (Abzug & Galaskiewicz, 2001). Therefore, in many cases, there is very little room for selection based on multiple criteria including factors such as managerial and personal competencies. In addition, performance-related reward is not common (Jobome, 2006). The selection of board members to represent key stakeholders is in line with stakeholder theory (see above). Institutional theory predicts that since the external

pressure on nonprofits to implement modern business policies is high, nonprofits will also tend to nominate professional business experts for their boards. This trend can be observed in practice as well.

Keep it Strategic

According to the new corporate governance model, corporate strategy is a central function of the supervisory board (see Table 3). Recommended features of the board in this respect are (1) exemplary board team, (2) constructive board culture, (3) simple and networked board structures and processes, and (4) stakeholder-oriented board performance criteria.

Nonprofit boards are often involved in strategy making, especially when the founders of the organization are represented in the board (Block & Rosenberg, 2002; L. E. Miller & Simmons, 1992). As outlined before, normative models put particular emphasis on this function. Carver (1997), for example, views policy clarification as the central role of nonprofit boards. This is in line with stewardship theory, which claims that the main function of the board is to improve organizational effectiveness rather than solely ensuring management compliance.

Notwithstanding the difficulties of performance measurement and evaluation in NPOs, it can be argued that board members in successful NPOs necessarily manage to implement a stakeholder-oriented performance to ensure organizational effectiveness and survival (Herman & Renz, 1998). Taken to extremes, one can argue that NPO performance is socially constructed and evaluated by the stakeholders. In this view, the nonprofit board can only perform well if its performance is directed toward the stakeholders and satisfies their normative expectations.

Keep it Situational

With regard to the fourth dimension, the new corporate governance model calls for a well-directed adaption to the external and internal context of a corporation (see Table 3). Hilb (2008) shows that internal factors such as the development phase, the degree of internationalization, power-relations between the board and the management, the size of an organization, etc have an impact on how effective governance should be modeled. On the other hand, external factors such as the institutional context, local business culture, and local norms have to be considered.

Especially since the nonprofit sector is particularly rich in organizational forms, associations, and activities (Anheier, 2005), governance models have to be well adapted to the situational characteristics: Clearly, the governance challenges vary from schools to hospitals, from foundations to self-help groups, from service organizations to international advocacy organizations. Many normative nonprofit governance models underestimate the differences between different types of NPOs, even though analytical studies show how important this feature is (Harris, 1998; Ostrower & Stone, 2006). For example, the most common pattern in large, established nonprofits is a constellation where the CEO exercises strong dominance, whereas small, relatively young nonprofits tend to be dominated by the board (Ostrower & Stone, 2006).

Summary

A comparison of nonprofit governance research with the new corporate governance model yields important insights: Whereas the strategic role of the board and the direction of board performance and activities toward key stakeholders (keep it strategic) are broadly recognized and implemented in practice, most of the models and analyses fall short in addressing the controlling, integration and situational dimensions of governance. It could be argued that these dimensions are not as important in the third sector, but mismanagement, ineffectiveness and public scandals in the nonprofit world often point toward failures in these areas (Gibelman & Gelman, 2001; Hayden, 2006).

Most importantly, the new NPO governance model as well as actor-centered institutionalism show that an integrative, holistic approach to nonprofit governance is necessary to fully understand challenges in the sector and to provide sustainable and effective advice on how nonprofit governance should be designed in different kinds of organizations. This is why throughout this dissertation I identify internal as well as external context factors when analyzing empirically governance phenomena.

4. Methodology

This paper-based dissertation is divided into three papers. Methodologically speaking, it is mainly divided into two different project phases and methodological approaches: In the first paper, we employ a qualitative research design with existing data on four different nonprofit organizations in Germany and Switzerland. The second and third papers employ a quantitative research design and the data were collected with the same questionnaire and through the same sample. In the following subsections, I explain the reasons for this method mix and briefly outline the data collection and data analysis processes.

4.1. Choice of Methodology: Method Mix

As Schneider (2006) points out, both qualitative and quantitative research methods are relevant and legitimate in the nonprofit field. Nevertheless, past research tended to focus on practitioner's insights, and systematic qualitative and quantitative research on NPOs and INGOs has only recently begun to grow significantly. Hence, it is "vitaly important that the management practices in the nonprofit sector be based on sound, useful research on nonprofit organizations. Given the direction in which much social science and most management research has developed, much of this nonprofit research will be quantitative" (Bielefeld, 2006: 397f.). At the same time, it can be argued that the nonprofit field is well suited for academic-practitioner partnerships and many practitioners will be interested in relevant qualitative research.

In this paper-based dissertation I employ a method mix using both quantitative and qualitative methods. A method mix is a methodological technique which "focuses on collecting, analyzing, and mixing both quantitative and qualitative data in a single study or series of studies. Its central premise is that the use of quantitative and qualitative approaches in combination provides a better understanding of research problems than either approach alone" (Creswell & Clark, 2006: 5). However, it does not necessarily mean that different methods are applied to the same empirical phenomenon. Such a technique is referred to as triangulation, where more than one method is used in order to check whether different methods lead to the same results (Flick, 2008).

Due to the explorative research question and the scarcity of existing research, I use qualitative research methods in the first paper on the power relation between the main governance actors (see chapter 5.4). In the second and third papers, I employ quantitative research methods (regression analysis) due to the fit between my research questions and the quantitative methods (Edmondson & McManus, 2007) as well as due to the fact that there is a large variety of existing research on nonprofit governance in general and that the aim of my research is to test the validity of existing models and results for the subtype of INGOs (see Chapter 6.4 and 7.4).

4.2. Data Collection

Although the overall topic of my dissertation is the governance of INGOs, my first paper deals with governance challenges in national NPOs. The reason for this is twofold: The pragmatic reason is that qualitative data on an appropriate set of cases were already available at the Center for Leadership and Values in Society of the University of St.Gallen and could be directly used for our analysis. Second, the first paper deals with a very complex question in an immature research field. As described above, there is a more solid body of research available on national NPOs than on INGOs and the fact that we employ our explorative study with regard to national NPOs enhances the credibility of our research. The research question would not have been suitable for a quantitative research design (Edmondson & McManus, 2007; Yin, 2009). This has allowed me to study, first, an important aspect of nonprofit governance in detail to set the grounds for a quantitative analysis of the governance of INGOs.

My second and third papers deal directly with the governance of INGOs and I collected my own data for these studies. As argued above, the quantitative is the appropriate method here, and I collected my data in two steps.

First, I created a valid sample of INGOs operating in Switzerland. This was a challenging task as public registers with a comprehensive set of data on INGOs and NPOs do not exist in Switzerland. Therefore, I decided to use data from the Union of International Association (UIA). Founded in 1907, the UIA is an INGO itself and is the quasi-official source at the United Nations for INGOs globally. Its most important source in this regard is the Yearbook of International Organizations, which is published once a year and provides the most extensive coverage of INGOs available

today, with entries on 60,000 INGOs and international organizations in 300 countries. Hence, the sample consists of all INGOs registered in the Yearbook of International Organizations who have their first or second headquarters in Switzerland. They number approximately 1,000.

Second, data on the dependent and independent variables were obtained through an electronic questionnaire, a copy of which is attached to this dissertation on a CD. Unfortunately, INGOs tend not to be very transparent when it comes to issues surrounding governance, and annual reports and information on board composition are often not publicly available (Lloyd, Warren, & Hammer, 2008). Therefore, the coding of publicly available sources is not an option for the large majority of variables. Before the online questionnaire was sent out in collaboration with the University of Fribourg, we employed a pre-test. For the final quantitative study, we had a response rate of 22%, which allowed me to employ a variety of statistical methods and tests and to obtain empirical results with a high robustness. Previous quantitative studies of NPOs and INGOs have also worked with response rates of around 25% (Andrés-Alonso et al., 2009). The dataset is attached to this dissertation on a CD.

4.3. Data Analysis

For the first paper, qualitative data were analyzed through a highly-structuralized content analysis approach (Neuendorf, 2002) in a ten-year retrospective study. In all four organizations, interviews with the head of the board and the executive director as well as key internal and external stakeholders were conducted. In order to provide additional support for our study, the analysis is also based on narratives, an important source for studying organizational phenomena (Czarniawska, 1997; Humphreys & Brown, 2002). Furthermore, to retrospectively understand the historical context of each organization, annual reports and newsletters were analyzed (see Chapter 5.4).

For the second and third papers, linear multiple regression analyses with PASW Statistics 18 were conducted. In each of the regression analyses, I controlled my findings for various factors such as legal form, area of activity, and organizational size. The regression analysis allowed me to assess the strength and the significance of the

relationships and to determine causality. More detailed information can be found in the subchapters 5.4, 6.4, and 7.4.

5. Co-Operative Power Relation between Nonprofit Board Chairs and Executive Directors

5.1. Introduction

Legally speaking, board chairs and boards of directors bear the ultimate responsibility for the long-term development of their nonprofit organization⁷. On the other hand, executive directors are the formal head of the highest operational decision-making board and responsible for the daily operational activities of the organization. The power relation between these two actors is hence one of the critical aspects of governance. Most scholars agree that power in this context is the ability to execute one's will against resistance (Anheier, 2005). The increasing pressure on both of these actors is a contemporary phenomenon (Frumkin, 2002; Salamon, 2003) which arguably affects the power relation and the likelihood that one of the actors will be put into a position to carry out his own will despite resistance from the other (Golden-Biddle & Rao, 1997). Nevertheless, there are still unclear patterns in the effects of environmental and organizational pressure on the power relation between the board chair and the executive director (Kramer, 1985; Murray et al., 1992; Zald, 1969).

This paper contributes to bridging this gap through an empirical comparative case study of four cases. We are interested in how the power relation between the board chair and the executive director is affected by organizational and environmental pressure on governance. To analyze this phenomenon, we propose actor-centered institutionalism (Aguilera & Jackson, 2003; Scharpf, 1997). In comparison to other theories used in nonprofit governance literature, actor-centered institutionalism has the advantage of taking different characteristics of nonprofit governance into account: organizational and environmental impacts on the power relation between the board chair and the executive director on the one hand and corresponding effects on individual characteristics of key actors on the other hand. Based on this theory, the paper follows the research question: *What characterizes the power relation between the board chair and the executive director in nonprofits which have undergone fundamental changes in their governance structures?*

⁷ This paper has been co-authored by Prof. Dr. Urs Jäger.

The following sections discuss relevant governance studies, actor-centered institutionalism, the research design, results and implications, conclusions and limitations as well as potential areas for further research.

5.2. Nonprofit Governance, Board Chairs and Executive Directors

Research on nonprofit governance has grown tremendously in the past twenty years and various sets of theories and models have increased our understanding of the sector significantly (see Cornforth, 2003; Miller-Millesen, 2003; Murray, 1998; Ostrower & Stone, 2006; Saidel, 2002). Nevertheless, the organizational and environmental pressures to change the power relation between the board chair and the executive director remain unclear.

Although neo-institutional theory adds greatly to the understanding of legitimization in contexts of external pressures (Granovetter, 1985; Powell & DiMaggio, 1991), it is not suited to describing the relationship between the board chair and the executive director of an organization, as it leans toward a perspective too abstract from the internal conflicts and coalitions (Aguilera & Jackson, 2003: 448). The distribution of roles and resources between these actors is empirically and normatively highly disputed (Iecovich & Bar-Mor, 2007). Authors such as Carver (1997) subordinate the executive director to the board in the sense that the board is responsible for long-term strategy and policy clarification, whereas the executive director has a more operational role. Houle (1997) presents a similar approach in which the board is seen as being responsible for the organization, even though a balanced partnership between the board and the executive director is expected. Drucker (1990) supports the idea of balanced partnership. He assumes governance to be an issue of checks and balances that includes professional knowledge by the board chair as well as the executive director.

Many authors argue against the previously introduced, traditional normative governance models by stressing that they put the board unequivocally in charge of the organization and thereby create unrealistic expectations (see for example Duca, 1996; Heimovics & Herman, 1990; M. K. Robinson, 2001). Block (1998) introduces an alternative by asserting that the relative power of the executive director within a nonprofit arises from the fact that board members cannot truly govern the organization

and carry out their legal governance functions without interfering selectively in operational matters. In his view, the "executive director is the real key to board success" (Block, 1998: 108) and should be equally in charge of the organization.

An empirical study on the relationship between board chairs and executive directors was conducted by Roberts and Stiles (1999) taking the example of corporations based in the United Kingdom. They found that an effective relationship between the chairman and the chief executive rests on complementary skills, experience, interests, temperaments, and instincts.

In sum, previous studies present both the board chair and the executive director as relevant actors who must respond to the increasing organizational and environmental pressure on governance. Although Roberts and Stiles found a complementary relation between chairmen and chief executives within corporations, there is less empirical evidence that this is true for nonprofits as well. In an empirical study, Murray et al. (1992) find evidence for the existence of very different power distributions between boards and executive directors, encompassing both a dominance of the executive director and a dominance of the head of the board, but also models in which power is much more dispersed between the governance actors. Further, these studies do not analyze the specific skills and preferences of the actors.

5.3. An Actor-centered Institutionalism Perspective

Actor-centered institutionalism supports the integrative perspective on the effects of organizational and environmental pressures on power relations between the executive director and the board chair. The theory draws upon game theory and institutionalism (Scharpf, 1997), and, as Aguilera and Jackson (2003) have shown, can be beneficial to the study of corporate governance by building a bridge between agency theory and institutionalism.

As Scharpf explains, actors rely on different capabilities such as, for example, resources, privileged access to information, specific skills, and networks. Furthermore, according to Scharpf, actors follow different preferences which become manifest in what they select and which decisions they make. With these selections and decisions, "actors respond differently to external threats, constraints, and opportunities because they may differ in their intrinsic [...] preferences" (Scharpf, 1997: 36-37). Scharpf

assumes actors to be shaped by the institutional setting within which they interact. Within these institutions, actors develop different preferences and whether they can achieve these preferences depends on their capabilities.

In our study, we identify the board chair and the executive director as relevant actors with their specific capabilities and preferences (Scharpf, 1997: 43). According to Scharpf, those two characteristics shape the actions of the two actors individually as well as collectively, as they influence the outcome of negotiations between the actors⁸. Following Scharpf, we assume that,

1. the actors' capabilities and preferences determine the power relation between the board chair and the executive director, and
2. that the actors' preferences are affected by organizational and environmental pressures.

Based on these two assumptions, we are interested in *how the capabilities and preferences of the board chair and the executive director changed after a fundamental change within a nonprofit organization's governance*.

5.4. Method

Our study encompasses four compared cases. Because a comparison supports the possibility of identifying patterns and differences (Yin, 2009), we selected our cases using three criteria. First, we selected four nonprofits which had previously experienced a fundamental change in their governance. We knew about these changes from the press or informal information. In all cases the board chair and the executive director had been replaced. Because of the replacement of individuals the changes were strongly expressed in the data. Second, because volunteering has a strong impact on the governance of nonprofits (Kreutzer & Jäger, 2010; McCurley & Lynch, 1997; Pearce, 1993), we selected nonprofits with volunteers (UNICEF Germany and Swiss Parkinson's Association) and nonprofits without volunteers (Hephata and the Swiss Association for Art History). Third, we selected two cases where the external pressure was strong and publicly discussed: UNICEF Germany, which was heavily criticized in

⁸ In his theory, Scharpf adds perception as a third characteristic. In the present study, this characteristic is excluded because perception was not relevant for the result.

the public arena, and the Swiss Association for Art History, which over a period of years constantly lost the public support of its mission. In sum, we selected four cases that all had gone through a fundamental governance change manifested by the replacement of the board chair and the executive director, were volunteer or non-volunteer organizations, and were strongly or weakly affected by external pressures.

In all of the organizations, we interviewed the board chair and the executive director as well as, on average, eleven key internal and external stakeholders such as middle managers, funders, board members, and beneficiaries. Because we were interested in the capabilities of the newly hired board chair and executive director, we conducted narrative, biographical interviews with each of them (Iellatchitch, Mayrhofer, & Meyer, 2003). Analyzing their work experiences and their formal and informal training, we were able to re-construct the actors' capabilities, in particular, their privileged access to information, specific skills, and networks. We were also interested in the actors' preferences, which were manifested in their decisions in the former and current working context. Because the preferences of the actors are also affected by the social context, we further interviewed external actors, conducted participant observations and focus groups, and analyzed documents (Table 4).

Table 4: Database

	Narratives interviews	Observations of board meetings	Focus groups with board representatives	Document analysis
Swiss Association for Art History	12	3	2	Annual reports, internal newspaper
Hephata	12	2	5	Annual reports, newsletters
UNICEF Germany	15	2	2	Annual reports
Swiss Parkinson's Association	16	2	2	Annual reports, newsletters
Sum	55	9	11	

We analyzed the institutional differences and similarities in a retrospective study of about ten years. During our data analysis, our focus was twofold: We first analyzed all data concerning the change process of the governance, and second, the biographical interviews of the board chairs and the executive directors concerning

their capabilities and preferences. We analyzed our data following the content analysis approach (Neuendorf, 2002), starting with each case on its own and then comparing all case results.

5.5. Results

5.5.1. Swiss Association for Art History

In 2008, the Swiss Association for Art History listed 5,000 members, 10 employees, and a board of directors, led by the board chair, with 16 volunteer members. Between 2000 and 2006, the association focused on the production of broad monographs about its inventory of art history objects. According to the executive director, most of its members, art historians or architects, are more interested in scientific questions of art history than in external or internal management issues. Consequently, the board executive committee works independently from the board of directors.

The board chair was a politician with strong communication skills. He trusted the manager to “run the store”, as he said, and focused on his relationships with his colleagues on the board. Over the period from 1992 to 2006, member contributions fell from 1.2 million to 0.8 million Swiss Francs. Eventually, the shortage in financial resources became so drastic that the board chair quit his position. The new board chair focused primarily on the financial issue. He was a professor of law with extensive management experience. “When I was young,” he said, “I ran my father’s company for many years. I know what leadership and strategy means.” Art history is his personal passion. His core message revolves around halting the decrease in membership. He perceived the executive director as “unprofessional” because, as he indicated, she did not give him the data he asked for, e.g., the budget and economic indicators.

The executive director studied both art history and nonprofit management and is perceived as an expert in membership management. From the beginning, she focused on leading the central office. During the first two years, she made a serious effort to influence the board of directors. “I have to receive a decision about our future direction somehow. Otherwise, I cannot lead the central office”, she explained. She was not able to achieve her goal and thus began leading the organization without

relying on the board of directors. In her eyes, the new board chair did not change anything: “With a stronger board of directors, we would not have the problem of decreasing membership,” she said.

The new board chair tried to implement drastic measures within the operational processes of the central office. As a response, the executive director sought to protect her employees from the impact of those measures, which led to a dramatic increase in tension between her and the board chair. Ultimately she quit her job. The new managing director had worked in a position of leadership in another nonprofit during a strategic turnaround. In his new (and current) position, he sought to lead the central office and support the development of the mission and the strategy proposed by the board of directors. He began designing and executing major changes in projects and the board of directors accepted a new strategy. The board chair indicated his satisfaction: “Now the managing director is doing his work. He has restructured the central office and I can focus on leading the board and on the quality control of our products.”

In sum, this case is characterized by falling member contributions, which led to a fundamental change in governance. (a) The second board chair shows much greater leadership and strategic knowledge than the first. He is also knowledgeable in art history, the core issue of this nonprofit. Comparing the capabilities of the board chair and the new executive director, ultimately, they are equivalent: Both have high capabilities in leadership and strategic issues. (b) In contrast to their capabilities, the actors’ preferences are complementary. The new board chair focuses on leading the board and quality control and expects the executive director to restrict himself to the affairs of the central office. The executive director seeks to lead the central office and supports the board of directors when developing the mission and strategy (Table 5).

Table 5: Comparison of Capabilities and Preferences Swiss Association for Art History

Dimension for comparison	New board chair	New executive director	Power relation
Capabilities	Leadership capabilities, strategic thinking	Leadership capabilities, strategic thinking	Equal
Preferences	Executive director restructures the central office, own focus on leading the board and quality control of art products	Intention to lead the central office, supports the development of mission statement and strategy process executed by the board of directors	Complementary

5.5.2. Hephata

Hephata is a German faith-based foundation in the health care sector owned by the Evangelical Church of Germany. Its mission is to support quality of life for the disabled. The foundation has about 1,800 employees, a board chair, a board of directors, with church representatives and others, totaling 11 members, and an executive director. In 2006, Hephata supported the quality of life of 2,400 disabled people and operated in 16 different locations in northern Germany. Before 1997, “the organization was a closed institution that was encircled by a wall and had monitored entry points”, one of the middle managers reported. Because of the strong financial support provided by the German Evangelical Church, there was no need to observe external trends. The board of directors was composed of local bank managers who began demanding financial transparency.

The executive director had an educational background in accounting. Because of her strong relationship with the board chair, she assumed that he would protect her should the need arise. The only pressure she experienced came from the board of directors, and in response, she tried to please its members: In the face of rising demands for financial transparency, she hired a controller in 1995 to support her in exploring shortages in financial resources.

The board chair, a theologian, cultivated a close working relationship with the managing director. The chair had hired her and sought to protect her from criticism by the board. The executive director was unaware that the controller’s standing with the board had been rising and that his word then carried more weight than hers. The board

chair was no longer able to protect the executive director and she was subsequently released from her position, which was then assumed by the controller. In his many years of experience as a controller in other organizations, he was also a strong project leader. In his present position, he assumes leadership responsibility for the financial business of the organization, prefers to work independently and assumes that the board chair will fill leadership and communication roles.

The first board chair held his position until he retired. He perceived himself as leading the entire organization by focusing on leading the board. The new board chair focused on a clear strategy to decentralize the organization and make it more transparent. Like the first board chair he was also a theologian with leadership and management experience gained from his position as board chair of another nonprofit. “He is a great communicator”, one of the middle managers mentioned. His intention is “to make Hephata become the leading organization of the German Evangelical Church”. While he and the executive director work together on the mission, the strategy, and leadership issues, he expects the executive director to work on the organization’s financial issues.

In sum, this case is characterized by the organization’s awareness of its independence from external changes and a slowly emerging transparency of financial shortages. (a) In respect to the capabilities, the second board chair has strong communication and leadership skills and critically reflects on the organizational fit with the changing environment (strategic thinking). Comparing the capabilities of the executive directors, the second differed from the first in his capabilities in financial control and project management. In sum, both the second board chair and the second executive director had strong leadership and strategic skills. (b) Concerning their preferences, the new board chair prefers to focus on strategic issues and external communications, whereas the new executive director perceives his primary task to be financial management. Preferences are complementary (Table 6).

Table 6: Comparison of Capabilities and Preferences Hephata

Dimension for comparison	New board chair	New executive director	Power relation
Capabilities	Leadership capabilities, strategic thinking	Leadership capabilities, strategic thinking	Equal
Preferences	He wants to make the organization to become the leading faith-based nonprofit, focus on strategy, mission, micro politics and leadership	Leading the organization from the financial side, communication is the board chair's job, working on his own	Complementary

5.5.3. UNICEF Germany

UNICEF Germany is a German association that raises funds for the protection of children's basic rights in Germany and to support UNICEF international development projects. UNICEF Germany has about 8,000 volunteers, employs 92 professionals, a board of directors with 9 members and one board chair. Until 2007, UNICEF had received the highest reputation ranking in Germany, even in comparison with well-known enterprises such as BMW or Mercedes. The executive director created a professional fundraising department and other services at the central office in Cologne. They employed management professionals and experts, and at the same time could rely on 8,000 volunteers who raised small funds by selling UNICEF postcards all over Germany.

The board chair was a famous politician: As a party leader and governor of a German state, she was seen as a person with strong communication and leadership skills. Since her intention was to be the public face of UNICEF in Germany, she focused on communication. In 2007, after a whistleblower informed the press about the organization's controversial fundraising practices (SpiegelOnline, 2008), public pressure for transparency within the central office mounted.

For over 19 years the executive director focused on the central office and made it one of the leading fundraising houses in Germany. He developed the central office without directing volunteer involvement in the organization's activities or setting quality standards for volunteer work. After intense criticism from the press, the board chair argued that the executive director, and not she, was the problem. For the public, the responsibility for the crisis remained unclear. After the board chair had discredited

him in public, the executive director defended himself in an interview, indicating that he believed: “I did a good job”. Pressure was brought to bear and he as well as the board chair quit their positions.

Shortly thereafter a new board chair was elected by the members. The new (and current) board chair is also the board chair of one of the most well-known family businesses in Germany with proven leadership, management, and strategic capabilities. In response to the intense ongoing public discussion, the new board chair focused on regaining credibility. In one of his first speeches before the press he said, “We have to work on the reputation of UNICEF. We need to have the right people in leading positions. Now that we have a strong board of directors, we can make it.” The new (and current) executive director is an experienced professional who worked for many years as executive director at Hewlett-Packard, Germany. She analyzed the entire organization and finally concluded: “I have to take care of the whole organization, which includes the 8,000 volunteers”. During her first year she focused on developing effective leadership structures and adequate communication with the public.

In sum, UNICEF's case is strongly affected by the public discussion regarding its credibility and the volunteers who express their fear of the nonprofit losing its identity. Both issues put pressure on the power relation between the board chair and the executive director. (a) Comparing their capabilities, one recognizes that the new board chair as well as the new executive director have strong leadership skills and capabilities in one specific field, fundraising, communication, or business administration. (b) Comparing preferences paints a different picture. The second board chair focused on the organization's reputation crisis and on leading the board of directors. Comparing the two executive directors, the first focused on leading the central office's professionals and experts, while the second built organizational structures to include the volunteers. Comparing the new board chair and the new executive director, the board chair managed the board of directors and the external communication, and the executive director controlled the central office, including the volunteers, and focused on developing internal leadership structures (Table 7).

Table 7: Comparison of Capabilities and Preferences UNICEF Germany

Dimension for comparison	New board chair	New executive director	Power relation
Capabilities	Leadership capabilities, strategic thinking, economic perspective	Leadership capabilities, strategic thinking, economic perspective	Equal
Preferences	Work on the reputation crisis, focus on leading the board and external communication	Leading the whole organization, central office as well as volunteers, focus on developing leadership structures	Complementary

5.5.4. Swiss Parkinson’s Association

In 1980, the Swiss Parkinson’s Association was founded as an association aiming to support patients with Parkinson’s disease and their relatives in their everyday lives. This organization is supported by about 3,000 volunteers, a volunteer board chair, a volunteer board of directors with 16 members, and 11 paid professionals.

The executive director was the association’s first employee, in 1980. She created the association with an entrepreneurial spirit and confessed that “sometimes I have the feeling that I am the Parkinson’s Association”. Preferring to work alone, she was successful in her position, achieving a number of objectives. The association’s board chair was a lawyer whose father had Parkinson’s disease; thus, he he had a personal stake in the nonprofit’s core issue. He focused on medical issues and relied on the executive director, who in his view, knew how to lead the association. He mainly balanced the different interests of the members of the board and did not see any external challenges. And there was no need to, because the executive director was able to increase the number of members and volunteers annually. In 2006, 5,000 members and 260 volunteers were documented.

Because of a statute limiting the board chair’s term in office, a new board chair had to be elected. The new board chair had worked as chief human resource manager in an international company and hence was used to dealing with strategic and economic issues. His secretary had been a Parkinson’s patient for many years; thus he, too, had a personal stake in the nonprofit’s mission. When the board chair noted a lack

of clear leading structures and modern management instruments, he put pressure on the executive director. He sought to strengthen the position of the Swiss Parkinson's Association by introducing a strategy process.

With his demand for management instruments, the new board chair kept the executive director from her core business, helping people with Parkinson's disease, which gave rise to her fear that the board chair would destroy the results of the entrepreneurial work she had done in establishing the association. The volunteers called the executive director to express their skepticism about the new board chair's understanding of the nonprofit's identity. After the first several strategy meetings, the board chair asked the executive director to introduce new managing instruments such as performance plans and policy manuals, a request that the executive director declined to carry out. In addition, the volunteers formed their own pressure group to fight the initiatives of the board of directors and the board chair.

As the pressure from the volunteers was mounting, the board chair concluded: "We need a new managing director with leadership skills". Tensions ran especially high when the executive director fell ill. Given the difficulty of the illness and the pressure from the board chair, the executive director resigned from her position, and shortly thereafter the volunteers' pressure group was disbanded. The board chair was heavily involved in the selection of a new executive director, whom he expected to focus on restructuring the central office and to let the board work on strategic questions and external cooperation. A new executive director with whom the board chair could now foster and implement the strategy process was then hired by the board of directors: An experienced project manager in development work. This executive director assumes responsibility for the operational and fundraising issues of the organization and expects the board of directors to set the strategic directions

In sum, the Swiss Parkinson's Association is characterized by the non-consideration of external developments and volunteer pressure against the introduction of management instruments by the board chair. Both issues put pressure on the power relation between the board chair and the executive director to change. (a) In respect to the actors' capabilities, we observed that the second board chair has experience in strategic thinking and international management. The same is true for the executive directors. The first is an entrepreneurial type and the second an experienced project manager. Comparing the capabilities of the second board chair and executive director, both are skilled in project management and have equal capabilities. (b) Both the first

and the second board chair expect the executive director to lead the entire organization. In addition, the second board chair wanted the second executive director to restructure the central office, while he focused on strategic issues. The second executive director is responsible for operational issues and expects the board to lead the organization strategically (Table 8).

Table 8: Comparison of Capabilities and Preferences Swiss Parkinson’s Association

Dimension for comparison	New board chair	New executive director	Power relation
Capabilities	Strategic thinking, project management	Strategic thinking, project management	Equal
Preferences	Executive director restructures central office, focus on strategic questions and external cooperation	Strategic directions are decided by the board, focus on operational responsibilities for the organization and fundraising	Complementary

5.6. Model of Co-Operative Power Relation

Our research applied an actor-centered institutionalism approach in order to compare the capabilities and preferences of the board chair and executive director with respect to their power relation after a fundamental change in the nonprofit’s governance. Putting the previous studies together, we introduce the following model of co-operative power relation (Table 9).

Table 9: Model of Co-Operative Power Relation

		Board chair	
		<i>Preferences</i>	<i>Capabilities</i>
Executive director	<i>Preferences</i>	Complementary	Board chair has capabilities to counterbalance executive director’s preferences
	<i>Capabilities</i>	Executive director has capabilities to counterbalance board chair’s preferences	Equal

After fundamental changes in governance, all cases showed a pattern characterized by three aspects:

First, integrating analysis of external pressures and internal conflicts, all four cases show a pattern we label 'co-operative': After the fundamental change in governance, the power relation between the board chair and the executive director followed a model in which neither the executive director nor the board chair leads the organization without effectively working together with his or her counterpart (see also Block, 1998).

Second, in the four cases the preferences of the board chair and the executive director were complementary and their capabilities were equal. This supports Carver (1997) and Houle (1997), who argue that the board is responsible for long-term strategy and policy clarification and the executive director has an operational role. Our results support their concepts with regard to preferences. It also confirms the observation of Roberts and Stiles (1999) about the relationship between chairmen and executives in private corporations. In contrast with Roberts and Stile, who also observed capabilities as being complementary, our study on nonprofits finds that the board chair's and the executive's capabilities were equal. This leads to a more differentiated view of what Houle (1997) calls 'balanced partnership' between the board and the executive director. Based on our observations, both actors need to have the same capabilities to work effectively and efficiently with each other. In respect to their preferences, they have to fulfill different and complementary tasks.

Third, our results support the view that both executive directors and board chairs are key to organizational success. Many authors criticize that normative governance models put the board unequivocally in charge of the organization (see for example Duca, 1996; Heimovics & Herman, 1990; M. K. Robinson, 2001). Block (1998), for example, argues that board members cannot truly govern the organization without selectively interfering in operational matters of executive directors. He concludes that executive directors thus play a key role in board success (Block, 1998). In our study, we were not able to observe whether board chairs interfered in tasks of executive directors. However, our results support Block's (1998) argument that executive directors are indeed key to organizational success. They are so because they have the capabilities to execute strategies for the nonprofit. Based on this capability, they are able to counterbalance the board chair's preferences. The same is true for the board chairs. They had the capabilities to lead the organization operationally and thus

could counterbalance the executive director's preferences. These empirical data support Drucker's (1990) model of checks and balances, which includes professional knowledge by the board chair as well as the executive director. It also resembles what Murray et al (1992) call a *power-sharing board* in which neither the executive director nor the board chair dominates.

5.7. Final Remarks

The limitations of this study are threefold: First, comparing four cases leads to a limited insight into each case. Second, all the selected nonprofits went through a fundamental change that led to the replacement of the board chair and the executive director. It is questionable whether the results are also transferable to nonprofits that have not replaced their central actors. Third, because the results are based on a qualitative method, we need to further analyze whether the observations are also valid for other nonprofits.

Despite these shortcomings the study provides important contributions to the field: First, with actor-centered institutionalism, the study introduces a valuable theoretical approach to the study of nonprofit governance which allows for the integration of internal and external contingency factors of governance (Miller-Millesen, 2003). Second, it shows that nonprofits undergoing fundamental governance changes tend to integrate a co-operative power relation between the board chair and the executive director in which their capabilities are equal and their preferences complementary. Third, for practitioners who have to deal with internal and external pressure, the results suggest that they should try to select their board chair and their executive directors in such a manner that their capabilities are equal, their preferences are complementary and that they are capable of mutually counterbalancing and monitoring their respective preferences.

6. The Governance of INGOs: How Funding and Volunteer Involvement Affect Board Nomination Modes and Stakeholder Representation

6.1. Introduction

The growth and impact of international nongovernmental organizations (INGOs) has been one of the dominant and most striking features of world society over the past 20 years (Anheier & Themudo, 2005; Boli, 2006; Fisher, 2003; Fowler, 1997; Keck & Sikkink, 1998; Lindenberg & Bryant, 2001; Teegen et al., 2004)⁹. Their responsibility as an actor in world politics has increased dramatically and hence the rise of global civil society has been characterized as a "global associational revolution" comparable to the earlier rise of the nation-state (Salamon, 1997b). For example, as of September 2009 there were almost 2,400 INGOs with consultative status at the Economic and Social Council of the United Nations. In 1989 only approximately 900 INGOs had that status, in 1999, ten years ago, only approximately 1,700 (Willems, 2010).

This growth has been accompanied by a greater scrutiny of their performance and accountability (L. D. Brown, 2008a; L. D. Brown & Moore, 2001; Dichter, 1989; Ossewaarde, Nijho, & Heyse, 2008). At the same time, INGOs face serious external challenges: resource scarcity, extremely volatile and challenging environments, a multitude of stakeholders with often diverging interests, and calls for an increased professionalization of the sector (Salm, 1999). INGOs have answered these challenges collectively and individually, for example, by drafting the "International Non-Governmental Organisations Accountability Charter" (2005) and by adapting their global structures.

INGOs are a subtype of a nonprofit organization (Boli, 2006; Martens, 2002; Salamon, 2003; Vakil, 1997). According to the widely used definition of Vakil (1997) they are self-governing, private, not-for-profit, and have an explicit social mission. There is some discussion whether INGOs which work closely together with states or corporations - so-called government-organized, quasi-nongovernmental, and donor-organized INGOs - meet the criteria of being fully private and self-governing

⁹ This paper has been co-authored by Prof. Dr. Urs Jäger.

(Gordenker & Weiss, 1995; Vakil, 1997). According to Boli (2006), there are currently 6,000 to 7,000 fully transnational INGOs operating in a multitude of countries in addition to tens of thousands of transnationally oriented NGOs which are based in a single country but internationally active. Most INGOs are constituted as foundations or associations under national law. Some of them have individuals as members, some have national or regional organizations as members of the international central office, and some do not have members (Foreman, 1999).

In their complex organizational structure the design of INGO governance stands at the core of their managing challenges. Their internal governance should provide a mechanism to ensure legitimacy, accountability, and effectiveness (Anheier, 2005; Anheier & Themudo, 2005; Foreman, 1999). One crucial question in this regard is how INGOs deal with their stakeholders: Which stakeholders does the INGO not only deem important in its missions and activities, but also within its internal governance structures? For example, which stakeholders hold the right to vote for board members and which stakeholders actually sit on the board?

In fact, we know little about nomination modes and stakeholder representation within the boards of INGOs. This is an important gap in current research as INGOs, like other nonprofit organizations, do not have one formal owner, such as the shareholders of for-profit enterprises, but rather multiple owners such as donors and volunteers (Anheier, 2005). Thus, their managers have "an almost unmatched degree of autonomy" (Glaeser, 2003: 2), so that these organizations require effective internal governance mechanisms for their supervision. Indeed, we find empirically that public scandals in the sector such as fraud, mismanagement, questionable fundraising practices, misappropriation and misspending of funds, and corruption "point to a clear problem of governance. Symptoms of governance failures suggested in the cases examined include failure to supervise operations, improper delegation of authority, neglect of assets, failure to ask the "right questions," lack of oversight of the executive director, failure to institute internal controls, absence of "checks and balances" in procedures and practices, and isolation of board members from staff, programs, and clients." (Gibelman & Gelman, 2004: 370-372).

In this context, board nomination modes and stakeholder representation constitute a crucial aspect of effective oversight and checks and balances: Democratically elected international boards enhance the internal accountability and external legitimacy of INGOs (Weidenbaum, 2009). They allow organizational actors

to execute so-called residual rights of control, for example, giving regional organizations the right to influence the mission and policies of the INGO and to take part in the oversight of executive directors. The nomination of major stakeholders for the board in turn allows these stakeholders to directly supervise and influence the use of their resources.

In accordance with resource dependency theory and stakeholder theory (Freeman, 1984; Pfeffer & Salancik, 1978; Speckbacher, 2008), we quantitatively test determinants of two board nomination modes: first, the nomination mode of membership organizations, where the board is elected by the organizational actors and members, and, second, of board-managed organizations, where the board is appointed by the most influential external stakeholders or where the board is self-selected or self-perpetuating (Enjolras, 2009; Salamon, 1997a). The choice between the two models has large implications for the governance of INGOs and the power of different stakeholders: In membership organizations authority and control ultimately rests with the members of the INGO. In board-managed organizations, governance relies much more on the integrity of the board members and on their accountability to the various internal and external stakeholders (Enjolras, 2009).

We only study INGOs based in Switzerland because the regulatory and economic environment arguably has a strong impact on the governance of INGOs (Curbach, 2003; DiMaggio & Anheier, 1990). In line with the current literature, we argue that types of funding and the degree of volunteer involvement are the major determinants of board nomination and stakeholder representation because donors and volunteers constitute the primary stakeholders and therefore are granted residual rights of control such as the right to elect or nominate board members. Accordingly, we follow the research question: *To what extent do board nomination modes and stakeholder representation in international nongovernmental organizations depend on different types of funding and volunteer involvement?*

This paper is organized as follows: After a background section with a literature review and remarks on INGOs in Switzerland, we present the theoretical frame, methods, and empirical results of our study. In the last section we discuss our results, outline contributions to literature and practice, and give recommendations for further research.

6.2. Background

With some 1,000 INGOs, amongst them some of the most well-known and oldest worldwide (about 15% of all registered INGOs), e.g. the International Committee of the Red Cross or the World Wide Fund for Nature, Switzerland hosts a remarkably high number of INGOs in relation to its population size according to data from the Union of International Associations (Lee, 2010; Smith & Wiest, 2005; UIA, 2010). Kriesi et al. (1995) find in a comparative study of Western European countries that Switzerland has by far the highest level of social mobilization. Nevertheless, to date no profile of the Swiss INGO sector exists.

Most INGOs – in Switzerland and elsewhere – have adopted global structures and their internal governance aims at achieving organizational legitimacy, accountability, and effectiveness (Foreman, 1999). Arguably, the performance of nonprofit boards and the design of nonprofit governance is an important determinant of organizational performance (W. A. Brown, 2005; Herman & Renz, 2000; Provan, 1980; Siciliano, 1996, 1997).

Nonetheless, the governance of INGOs arguably needs further systematic research (Lewis, 1998, 2006). In a broad review based on interviews with the leaders of the world's largest INGOs, Lindenberg and Dobel (1999: 22) conclude that a "special urgency exists in the need to explore models of governance of global NGOs" and this claim is still valid. The studies which deal with INGO governance yield important insights into how INGOs are organized globally, how they deal with their accountability and legitimacy challenges, and how they deal with their various stakeholders (Anheier & Themudo, 2005; L. D. Brown, 2008a; L. D. Brown & Moore, 2001; Foreman, 1999; Hudson & Bielefeld, 1997; Lewis, 1998; Lindenberg & Bryant, 2001; Lindenberg & Dobel, 1999; Young, 1992, 2001a, 2001b; Young et al., 1999). Given these important studies and the existence of various theoretical models that deal with the governance of nonprofit organizations, the field is methodologically mature (Edmondson & McManus, 2007). Nevertheless, past research in the field is mostly limited to qualitative, descriptive studies of different aspects of governance and structure and only very few quantitative empirical studies are available (Andrés-Alonso et al., 2006; Iecovich, 2005a). Quantitative studies can yield important contributions to the field by providing an empirical overview of the sector which is equally valuable for practitioners and researchers, testing the hypotheses gained by the

qualitative endeavors and by determining on which factors governance attributes depend in practice.

INGOs have a governing body and an executive body in the two-tier model (Siebart & Reichhard, 2004). Most Swiss INGOs are designed according to that model and are mostly constituted as associations or foundations (Jakob et al., 2009). Often the governing body is referred to as the advisory council, board of trustees or the board of directors. For reasons of simplification we will refer to it as the *board* in this paper. The Swiss NPO Code (2006) assigns both controlling and strategic tasks to the board. Typical tasks are to supervise and evaluate the executive directors, oversee program and budgetary matters, define the overall strategy, ensure that resources are used efficiently and appropriately, measure performance, and seek to maintain public trust (Anheier, 2005; Hung, 1998).

Authors agree that for INGOs "critical challenges develop from the need to remain accountable to a diverse and dispersed membership base, which poses crucial questions for internal democracy, accountability, effectiveness, and legitimacy" (Anheier & Themudo, 2005, p. 186). This is particularly true for member-owned INGOs, where membership-based governance is "understood to be more democratic, more accountable, and more egalitarian, reflecting qualities within the organization that it advocates in society" (Anheier & Themudo, 2005, p. 189) but also understood to be a cost- and complexity-generating feature.

Enjolras (2009) distinguishes between membership organizations and board-managed organizations. In membership organizations the annual general meeting of members elects a board to oversee organization management. In board-managed organizations, board members are usually appointed by external organizations or authorities (for example, governments) or are self-recruited and self-perpetuating.

The distinction between the membership organizations and the board-managed organizations is conceptual. We do not yet know which of these models are common in practice. As Iecovich (2005b) points out, two major theoretical perspectives yield contrasting recommendations on how board members should be nominated (see also Cornforth & Edwards, 1999): According to the "democratic model", which maintains that the major role of governing boards is to represent the interests of various constituencies and groups, board members of INGOs should be elected by the members. This speaks in favor of the membership model. Democratically elected international boards are judged to enhance the internal accountability and legitimacy

of INGOs (Weidenbaum, 2009) allowing members to take part in the governance of the organization (F. Robinson & Shaw, 2003). In contrast, according to stewardship theory (Davis et al., 1997; Muth & Donaldson, 1998), board members should be selected (i.e. by the board) or appointed (i.e. by stakeholders or external organizations) based on their expertise, experience, and contacts that may help the organization achieve its goals. This speaks in favor of the board-managed model. A third model includes boards which represent national affiliates. Here, board members can either be elected or they can sit on the board automatically because of the organizational constitution that prescribes the inclusion of regional representatives.

6.3. Theoretical Model

In our study, we empirically validate the concepts of the membership organization and the board-managed organization and to what extent the implementation of these concepts depends on sources of funding and the degree of volunteer involvement. In accordance with resource dependency theory and stakeholder theory, we follow the hypothesis that INGOs choose a board nomination model according to their primary resource providers:

First, resource dependency theory views organizations as embedded in and interdependent with their environment (Hillman, Withers, & Collins, 2009; Pfeffer & Salancik, 1978). The survival and impact of an organization depends on external resources and the governance of an organization ensures that it acquires them. In this view, the main function of the board is to create links to the environment, acquire financial resources, obtain necessary information, maintain and develop good relations with external stakeholders, help the organization respond to external change, and enhance legitimacy (Pfeffer & Salancik, 1978). The application of this theory is particularly fruitful since INGOs depend heavily on external funds, volunteer work, and public support (Miller-Millesen, 2003).

Second, stakeholder theory assumes that organizations are accountable to a large set of institutions or actors (Freeman, 1984). In order to ensure sustainable long-term performance, board members need to monitor and manage these relationships and ensure organizational responsiveness. Key roles of INGO boards are to represent key stakeholders, facilitate negotiation, resolve potential conflicting interests, and ensure

that management acts in the interest of these stakeholders. Indeed, INGOs can be seen as being accountable to a wide range of stakeholders and therefore a stakeholder perspective yields important insights. In their "Accountability Charter" (2005), the world's largest and most important INGOs describe the wide range of their stakeholders:

- *"Peoples, including future generations, whose rights we seek to protect and advance;*
- *Ecosystems, which cannot speak for or defend themselves;*
- *Our members and supporters;*
- *Our staff and volunteers;*
- *Organisations and individuals that contribute finance, goods or services;*
- *Partner organisations, both governmental and non-governmental, with whom we work;*
- *Regulatory bodies whose agreement is required for our establishment and operations;*
- *Those whose policies, programmes or behaviour we wish to influence;*
- *The media; and*
- *The general public."*

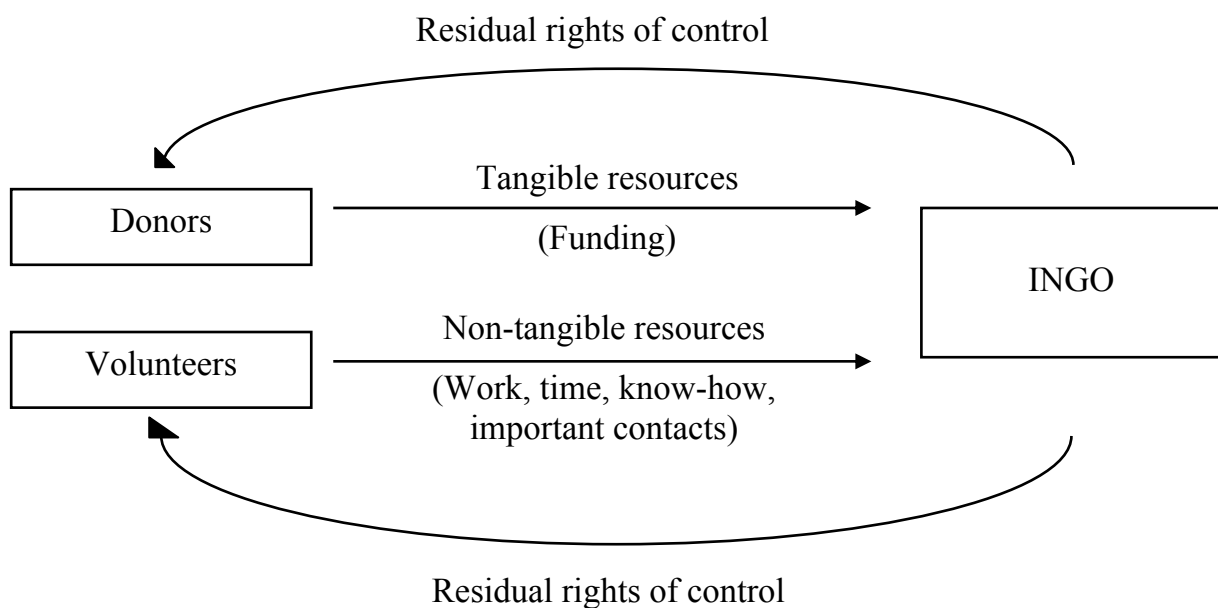
The tremendous variety of stakeholders INGOs perceive clearly indicates that it is extremely difficult from an external but also from an internal point of view to define which groups constitute relevant stakeholders and what role they should play within the governance of an organization. A governance problem arises because in INGO-long-term-relationships the use of resources cannot be specified in advance. Internal governance then is interpreted as a mechanism that determines the position (in particular the bargaining power) of each stakeholder (Speckbacher, 2008). The core question subsequently is: Which stakeholders should possess the residual rights of control and hence be the primary stakeholders?

Residual rights of control entail decision-making power in situations where there are no contractual or legal regulations, for example, when interpreting the mission or formulating the organizational objectives and strategies (Speckbacher, 2008). The board of an INGO plays a crucial role when it comes to those functions and different board nomination modes give different stakeholders a different number of residual rights of control. Those people or groups who sit on the board can be regarded as primary stakeholders, but primary stakeholders may also opt to delegate

management decision rights and control rights (Fama and Jensen 1983). In that case, those people who elect and nominate the board members can also be regarded as primary stakeholders. For example, members of an INGO who may elect the board clearly hold a more powerful position in the governance of an INGO than members who do not possess that right – even if they will not all be actual members of the board.

But how can we define which parties should be primary stakeholders? Building on Cornell and Shapiro (1987), Speckbacher (2008) argues that a party is a stakeholder if that party 1) contributes specific resources, 2) creates values for the organization (that is, the investments promote the common objectives of the organization), and 3) has claims on the return from the investment which are incompletely specified by contracts and hence (at least partly) unprotected. Following that definition, donors and volunteers are the major stakeholders of INGOs (see Figure 1):

Figure 1: Theoretical Model on Primary Stakeholders and Residual Rights of Control



Donors such as individual members, national or regional member organizations which are part of the INGOs federal structure, philanthropists and individual donors donating smaller amounts of money, governments, or foundations provide financial, tangible resources. Volunteers provide non-tangible resources such as time, work,

know-how, and important contacts. Theoretically, an INGO, in turn, provides donors and volunteers with residual rights of control such as the right to elect board members or even a seat on the board. In fact, scholars observe a rising pressure of 1) donors to justify the use of resources and to let them participate in the oversight and strategic management of the INGO (Anheier & Leat, 2006; Salm, 1999), and 2) volunteers that “donate” work time and knowledge to INGOs to be actively involved in the governance of the INGO (Jäger, Kreutzer, & Beyes, 2008; Kreutzer & Jäger, 2010).

Other stakeholders that INGOs name in their International Accountability Charter such as "peoples, including future generations, whose rights we seek to protect and advance; and Ecosystems, which cannot speak for or defend themselves" (INGO, 2005) do not contribute specific resources and do not create value for the organization in the sense of resource dependency. Paid staff does not meet the third requirement of this definition: Even though they contribute specific resources and create value for the organization, their claims on the return from the investment are indeed specified as they receive a salary for their work.

Nevertheless, from a legitimacy point of view, it is perfectly reasonable and rational that INGOs consider these groups as stakeholders. Our argument nonetheless is that, from a resource dependency theory point of view, these actors and groups do not constitute primary stakeholders and therefore will not be granted with residual rights of control by the INGO.

We follow the previously introduced distinction between the membership organizations and the board-managed organizations. We thus hypothesize that INGOs which finance themselves primarily through membership fees have boards which are democratically elected by the members (membership model). In turn, INGOs which finance themselves primarily through donations from government, foundations or philanthropists are nominated in order to represent these stakeholders (board-managed model). Here, the board members are either elected or appointed by the external stakeholders or the board is self-selected or self-perpetuating. INGOs which finance themselves primarily through contributions from regional or national member organizations, i.e. national affiliates, have boards which represent these organizations and are either elected by the general assembly or nominated by the member organizations directly.

H1a: INGOs which finance themselves primarily through membership fees from individual members have boards elected democratically by a general assembly.

H1b: INGOs which finance themselves primarily through donations have self-selected boards that are nominated to represent these stakeholders.

H1c: INGOs which finance themselves primarily through contributions from regional member organizations have boards that are either elected or nominated to represent these member organizations.

We further assume that INGOs with a large percentage of volunteers choose different models of governance than INGOs whose work is primarily carried out by professionals (Kreutzer, 2009; Kreutzer & Jäger, 2010). We assume that those volunteers ask for rights of co-determination and for democratic governance mechanisms, thereby strengthening the membership model of INGO governance.

H2: INGOs which have a larger degree of volunteer involvement have boards elected democratically by a general assembly.

6.4. Method

Data were obtained through a standardized electronic questionnaire. We did not use secondary data for analysis for the following reasons: INGOs tend not to be very transparent when it comes to issues surrounding governance. Often, annual reports and information on board composition are not publicly available (Lloyd et al., 2008). Therefore, the coding of publicly available sources is not an option. Neither public registers nor other sources with a comprehensive set of data on INGOs in general and their governance in particular exist in Switzerland.

The electronic questionnaire was sent to all 924 INGOs registered in the Statistical Yearbook of the UIA which have their main headquarters in Switzerland. Within this population we find a huge variety of types of INGOs, encompassing large federations such as the International Olympic Committee, foundations such as the Kofi Annan Foundation, advocacy associations such as the World Wide Fund for Nature, International Relief Organizations such as the International Committee of the Red Cross, but also many smaller organizations active in very different fields. The UIA is the quasi-official source at the United Nations for INGOs and has been used for a large variety of studies in the field (Boli, 2006; Keck & Sikkink, 1998; Lee, 2010; Smith & Wiest, 2005). Nevertheless, the dataset has not been used in order to study governance-related questions so far.

Data collection was carried out between June and August 2010. We received 249 responses, which equates to a return rate of 27%. With respect to a number of our questions the response rate was lower and the respective figures for *n* are described in our results.

6.4.1. Description of the Sample

Our sample reflects the large heterogeneity of the Swiss INGO-Sector: Of the 249 organizations, 67% are constituted as associations, 16% as foundations, 1% as co-operatives and 16% report having a different legal form or no regular judicial status. Table 10 shows the percentage of INGOs being active in different fields of activity. The organizations are active in a variety of fields, with some concentration on education, research, and development cooperation. Some organizations report to be active in more than one field.

Table 10: Fields of Activity

Field of Activity	Percentage
Education	28.45%
Research	17.24%
Development Cooperation	15.95%
Health Care	13.36%
Human Rights and Workers' Rights	10.78%
Business	8.19%
Sports	7.33%
Environment or Animals	6.90%
Culture or Art	5.17%
Human Services / Community improvement	4.74%
International Emergency Relief	3.88%
Religion	3.88%
Consumer or Citizen Interests	2.59%
Other	23.71%

N=249.

The organizations were founded between 1869 and 2006 and they report being active in a large variety of regions (see Table 11). Almost all INGOs are active in

more than one region. Most of the INGOs are active in Western Europe, but the percentages also clearly show the large coverage of activities: Even in Oceania every fourth INGO with headquarters in Switzerland is active.

Table 11: Regions of Activity

Regions of Activity	Percentage
Western Europe	55.82%
Central Eastern Europe and Russia	43.78%
Asia	40.56%
Africa	38.15%
South America	36.55%
North America	35.74%
Oceania	26.10%

N=249.

On average, they are active in 45 countries. The organizations have up to 3,000 regional and national member organizations and report representing up to 1 billion individual members. They employ up to 600 full-time staff and enjoy the support of up to 100,000 volunteers. Their average annual budget is 4,760,000 Swiss Francs (3,650,000 Euro) , ranging from 600 Swiss Francs (450 Euro) to more than 50 million Swiss Francs (28 million Euro).

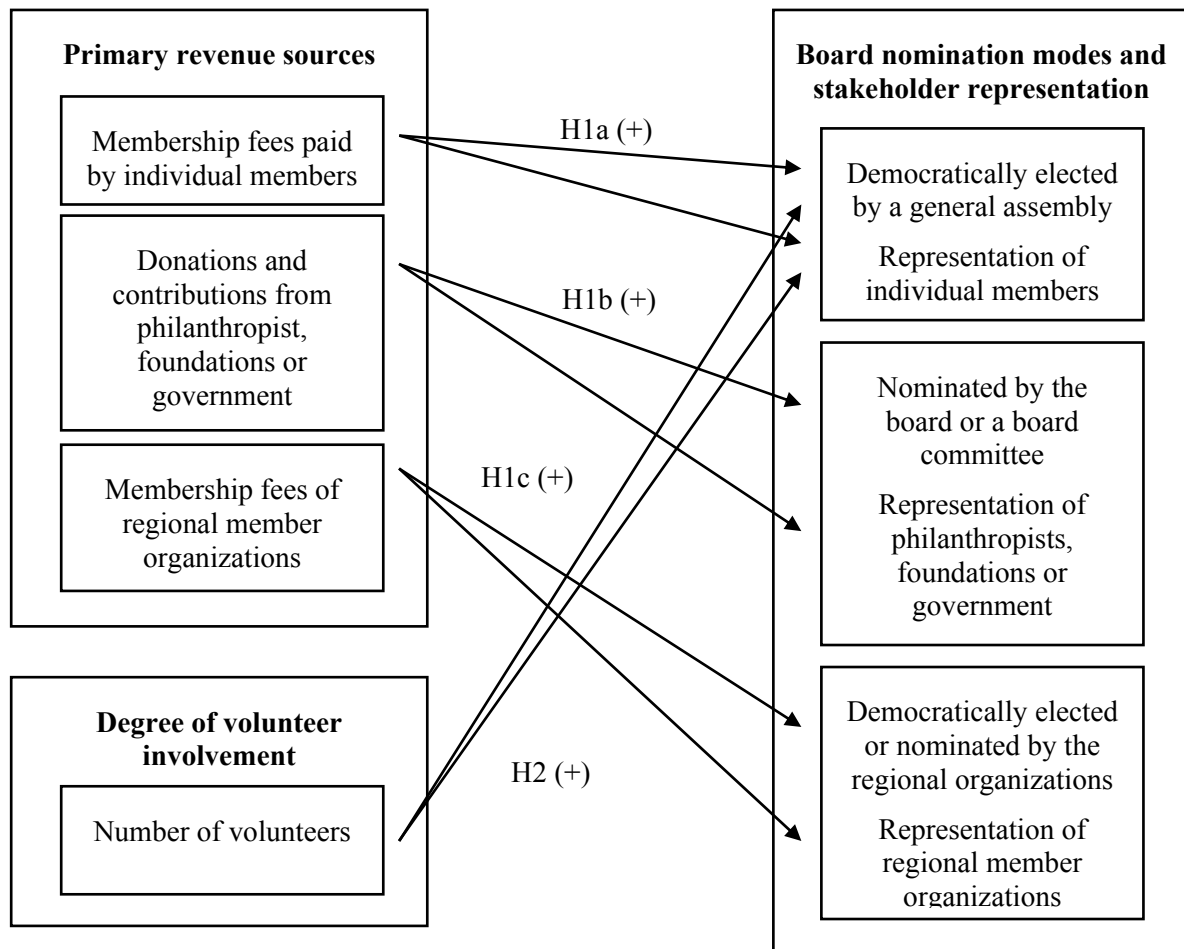
With regard to governance, almost all INGOs in this sample have a central governing board, executive committee or board of directors which represents the organization internationally (96%). On average, their boards have 10 members, held 3 board meetings in 2009, and are mostly comprised of outsiders, i.e., people who are not simultaneously employed by the organization. Nevertheless, in most of the cases the executive director or secretary general is a voting member of the board (53%).

6.4.2. Empirical Model and Statistical Techniques

The empirical model is summarized in figure 2. To test our hypothesis, we run linear regression analysis using PASW Statistics 18 (SPSS). In the questionnaire, with respect to the dependent variables, we asked the organizations to indicate the number of board members nominated through a certain mode such as, for example, a democratic election by the organization's individual members and also how many

board members represented certain stakeholders such as, for example, important donors. With regard to the independent variables, we asked the INGOs to indicate what percentage of revenues had been generated through different sources such as donations from foundations or membership fees. Also, the INGOs were asked to indicate the absolute number of paid staff and volunteers worldwide and at their headquarters. Table 12 presents all variables included in the empirical model.

Figure 2: Empirical Model



Board Nomination Modes and Stakeholder Representation

Table 12: Variables

Variables	Definition
Nomination Mode	<p>Nomination Mode: Elected by individual members</p> <p>Nomination Mode: Self-nomination</p> <p>Nomination Mode: Elected by regional member organizations</p>
Stakeholder Representation	<p>Stakeholder Representation: Individual members</p> <p>Stakeholder Representation: Financial Supporters</p> <p>Stakeholder Representation: Public Sphere</p> <p>Stakeholder Representation: Regional member organizations</p>
Funding	<p>Funding: Individual members</p> <p>Funding: Donations Individuals</p> <p>Funding: Foundations</p> <p>Funding: Government</p>

Board Nomination Modes and Stakeholder Representation

(cont.)	Variables	Definition
	Funding: Regional member organizations	Importance of fees and charges from regional organizations as a revenue source (1: 0%; 2: 1-9%; 3: 10-24%; 4: 25-49%; 5: 50-74%; 6: 75-100%)
Volunteers	Volunteers worldwide	Number of volunteers worldwide
	Volunteers headquarter	Number of volunteers at headquarters
Control Variables	Legal Form: Foundation	1: Foundation; 0: No foundation
	Legal Form: Association	1: Association; 0: No association
	Age	Age of the organization
	Size: Revenues	Total revenues of the organization
	Size: Individual members	Number individual members
	Size: Paid staff	Number of paid staff
	Size: Volunteers	Number of volunteers
	Field of Activity: Business	1: Active in the field of business; 0: Not active in the field of business
	Field of Activity: Development Cooperation	1: Active in the field of development cooperation; 0: Not active in the field of development cooperation
	Field of Activity: Education	1: Active in the field of education; 0: Not active in the field of education
	Field of Activity: Environment or Animals	1: Active in the field of environment or animals; 0: Not active in the field of environment or animals
	Field of Activity: Health Care	1: Active in the field of health care; 0: Not active in the field of health care
	Field of Activity: Human Rights and Workers' Rights	1: Active in the field of human rights and workers' rights; 0: Not active in the field of human rights and workers' rights
	Field of Activity: International Emergency Relief	1: Active in the field of international emergency relief; 0: Not active in the field of international emergency relief
	Field of Activity: Research	1: Active in the field of research; 0: Not active in the field of research

Board Nomination Modes and Stakeholder Representation

(cont.)	Variables	Definition
	Field of Activity: Religion	1: Active in the field of religion; 0: Not active in the field of religion
	Field of Activity: Sports	1: Active in the field of sports; 0: Not active in the field of sports
	Field of Activity: Human Services / Community improvement	1: Active in the field of human services / community improvement in the field of human services / community improvement
	Field of Activity: Culture or Art	1: Active in the field of culture or art; 0: Not active in the field of culture or art
	Field of Activity: Consumer or Citizen Interests	1: Active in the field of consumer or citizen interests; 0: Not active in the field of consumer or citizen interests

6.5. Results

6.5.1. Sources of Funding

We distinguish between eight major sources of funding (see Table 13) and we find that the revenue sources differ greatly between the organizations:

Table 13: Sources of Funding

Revenues	Percentage
Fees and charges from organizational members	20.63%
Economic activities	17.40%
Fees and charges from individual members	13.73%
Grants, donations or contracts from government	12.23%
Grants, donations or contracts from foundations	11.48%
Donations from individuals	11.03%
Endowment income	6.15%
Other	7.35%

N=105.

The INGOs in this sample primarily fund their activities through donations from individuals: grants, donations or contracts from foundations; grants, donations or contracts from government; fees and charges from organizational members; fees and charges from individual members; economic activities; and, to a lesser extent, endowment incomes and other sources. Interestingly 17.4% of the total revenues of INGOs in this sample are generated through economic activities. This speaks in favor of an increasing hybridization of the sector in the sense that INGOs also engage in economic activities to generate revenues which are then used to fund their programs.

Our first hypothesis states that INGOs which finance themselves primarily through membership fees from individual members have boards elected democratically by the individual members of the organization, for example through a general assembly. Results from regression analysis show that this relationship is strong and very significant (see Table 14). In addition, we find that in INGOs which finance themselves primarily through membership fees paid by individual members stakeholder representation on the board is different: The number of board members representing the individual members is higher in such INGOs.

Board Nomination Modes and Stakeholder Representation

Table 14: Relationship between Sources of Funding and Board Nomination and Stakeholder Representation: Individual Members

	Nomination Mode: Elected by individual members	Stakeholder Representation: Individual members
Funding: Individual members	.243**	.210*
Legal Form: Foundation	-.248**	-.016
Legal Form: Association	.043	.075
Age	-.285**	-.217
Size: Revenues	.331*	.237
Size: Paid staff	-.226	.092
Field of Activity: Business	.070	-.170
Field of Activity: Development Cooperation	-.152	-.042
Field of Activity: Education	.016	.003
Field of Activity: Environment or Animals	-.006	.117
Field of Activity: Health Care	-.080	-.017
Field of Activity: Human Rights and Workers' Rights	.142	.052
Field of Activity: International Emergency Relief	.189	-.137
Field of Activity: Research	-.038	.104
Field of Activity: Religion	-.233*	-.261*
Field of Activity: Sports	-.206**	-.036
Field of Activity: Human Services / Community improvement	.056	-.045
Field of Activity: Culture or Art	.353***	.236**
Field of Activity: Consumer or Citizen Interests	-.073	-.264**
N	84	86
R ²	.502	.261

* p < 0.10, ** p < 0.05, *** p < 0.001 (two-tailed)

We control our results for legal form, age, size, and field of activity. It is not surprising that in foundations it is less common to have boards elected through individual members because of the smaller membership basis and that nomination modes vary to some extent according to fields of activity. Interesting findings are also that older INGOs have significantly less board members elected by the individual

members and that INGOs with larger revenues have more board members elected by the individual members. Nevertheless, no general patterns can be observed and the results are not significant when explaining stakeholder representation.

Further, we expect that INGOs which finance themselves primarily through donations from individuals, grants and contracts from foundations and/or grants and contracts from the government or public agencies will have self-selected boards. This hypothesis is partly rejected (see Table 15).

The percentage of board members elected by the board or a board committee, i.e. self-nominated, as well as the stakeholder representation of financial supporters and representatives from the public sphere only partly depend on the revenue sources. Only government funding has a strong, significant positive impact on the stakeholder representation. The nomination mode is not explained by sources of funding. We again control our findings for the legal form, age, size, and field of activity. As expected, self-nomination and the representation of financial supporters is more common in foundations.

The last hypothesis regarding the impact of revenue sources on board nomination and composition postulates that INGOs which primarily finance themselves through membership fees and contributions from regional and national member organizations have boards that are elected by a general assembly to represent these stakeholders or elected or nominated by the regional organizations directly.

Our data support this hypothesis (see Table 16). The correlations are strong and very significant. INGOs which primarily finance themselves through fees and charges from regional organizations do, in turn, give these regional organizations residual rights of control by allowing them to vote for board members and by having more board members representing them. We control our findings for the legal form, age, size, and field of activity. It is not surprising that INGOs active in the field of sports do have more often boards elected through regional members because these organizations are typically very decentralized.

Board Nomination Modes and Stakeholder Representation

Table 15: Relationship between Sources of Funding and Board Nomination and Stakeholder Representation: Self-Nomination

	Nomination Mode: Self-nomination	Stakeholder Representation: Financial Supporters	Stakeholder Representation: Public Sphere
Funding: Donations Individuals	.048	-.044	.097
Funding: Foundations	-.013	-.144	.055
Funding: Government	-.009	.330**	.252*
Legal Form: Foundation	.406**	.429**	-.034
Legal Form: Association	.161	.188	-.300*
Age	-.019	-.120	-.019
Size: Revenues	-.068	-.139	.126
Size: Paid staff	.083	.182	.116
Field of Activity: Business	-.218	.249	.128
Field of Activity: Development Cooperation	.039	-.164	-.232
Field of Activity: Education	.101	.254*	-.166
Field of Activity: Environment or Animals	-.042	.017	-.052
Field of Activity: Health Care	-.073	-.061	.009
Field of Activity: Human Rights and Workers' Rights	.024	.145	.049
Field of Activity: International Emergency Relief	-.096	-.266*	-.095
Field of Activity: Research	.182	.123	.032
Field of Activity: Religion	-.167	-.081	-.125
Field of Activity: Sports	.069	.108	-.078
Field of Activity: Human Services / Community improvement	-.168	.248	.029
Field of Activity: Culture or Art	-.188	.110	.276**
Field of Activity: Consumer or Citizen Interests	.195	-.165	.008
N	84	86	86
R ²	.323	.263	.275

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.001$ (two-tailed)

Board Nomination Modes and Stakeholder Representation

Table 16: Relationship between Sources of Funding and Board Nomination and Composition: Regional Member Organizations

	Nomination Mode: Elected by regional member organizations	Stakeholder Representation: Regional member organizations
Funding: regional member organizations	.310**	.392**
Legal Form: Foundation	-.139	-.132
Legal Form: Association	-.047	-.161
Age	.225*	.055
Size: Revenues	.099	-.246
Size: Paid staff	-.191	.139
Field of Activity: Business	.043	-.120
Field of Activity: Development Cooperation	.155	.155
Field of Activity: Education	-.067	-.039
Field of Activity: Environment or Animals	.098	.058
Field of Activity: Health Care	.032	.054
Field of Activity: Human Rights and Workers' Rights	-.001	.167
Field of Activity: International Emergency Relief	-.018	-.066
Field of Activity: Research	-.096	-.099
Field of Activity: Religion	.201	-.052
Field of Activity: Sports	.202*	.039
Field of Activity: Human Services / Community improvement	-.114	-.093
Field of Activity: Culture or Art	-.078	-.134
Field of Activity: Consumer or Citizen Interests	-.066	-.092
N	84	86
R ²	.348	.199

* p < 0.10, ** p < 0.05, *** p < 0.001 (two-tailed)

6.5.2. Volunteer Involvement

Of the 124 organizations who reported on the involvement of volunteers in their activities, 46 have no volunteer involvement at all and 80 organizations have no volunteer involvement at their headquarters (see Table 17). On the other hand, some INGOs have up to 100,000 volunteers worldwide. With regard to paid staff, 39 INGOs have no paid staff worldwide and 44 INGOs have no paid staff at their headquarters. Other INGOs in our sample have up to 1,000 paid staff worldwide (see Table 18).

Table 17: Number of Volunteers

Number of volunteers	Worldwide*	Headquarters
0	46	80
1 - 10	26	31
11 - 100	34	9
101 - 1000	12	4
1001 - 10,000	4	0
10,001 - 100,000	2	0

N=124.

*The data for the number of volunteers 'worldwide' include volunteers active at the 'headquarters'.

Table 18: Number of Paid Staff

Number of paid staff	Worldwide*	Headquarters
0	39	44
1 - 10	52	61
11 - 100	27	15
101 - 1000	6	5
1001 - 10,000	0	0
10,001 - 100,000	0	0

N=124.

*The data for the number of paid staff 'worldwide' include paid staff working at the 'headquarters'.

We test whether the degree of volunteer involvement has an impact on board nomination modes and stakeholder representation on the board. Hypothesis 2 states that a higher degree of volunteer involvement leads to a democratic election of the board by a general assembly. Our results are not unequivocal and let us partly reject the hypothesis: The percentage of board members elected by the organization's individual members does not correlate significantly with the number volunteers worldwide or at the headquarters (see Table 19). Nevertheless, stakeholder representation of volunteers on the board is much higher in INGOs with a high number of volunteers at the headquarters. The relationship is very strong and very significant. This is only true for the ratio of volunteers versus paid staff at the headquarters. We control our findings for the legal form, age, size, and field of activity.

In sum, our results let us reject parts of hypothesis H1b and H2 while accepting hypothesis H1a and H1c. Our findings indicate that INGOs which finance themselves primarily through membership fees from individual members have boards elected democratically by a general assembly (H1a). We also demonstrate that INGOs which finance themselves primarily through public donations have self-selected boards that are nominated to represent the government or public administrations (H1b). The residual rights of control, i.e., the right to nominate board members or a seat on the board, of all other donors such as philanthropists and foundations do not correlate significantly with their degree of importance as resource provider. Furthermore, we show that INGOs which finance themselves primarily through contributions from regional member organizations have boards that are either elected by a general assembly or the regional member organizations themselves or are nominated to represent them (H1c). Finally, we note that in INGOs where the degree of volunteer involvement at the headquarters is relatively high, there are more board members representing volunteers (H2). Nevertheless, only this element of hypothesis 2 is supported by the data: A higher degree of volunteer involvement at the global level or at the headquarters does not correlate with a higher number of board members democratically elected by a general assembly. Also, a higher degree of volunteer involvement at the global level does not correlate with more volunteer representation at the board level.

Board Nomination Modes and Stakeholder Representation

Table 19: Relationship Between the Degree of Volunteer Involvement and Board Nomination and Composition

	Nomination Mode: Elected by individual members	Stakeholder Representation: Volunteers
Volunteers worldwide	.006	-.010
Volunteers headquarter	.171	.341**
Legal Form: Foundation	-.241*	-.017
Legal Form: Association	.022	-.066
Age	-.242**	.137
Size: Revenues	.201	-.226
Size: Paid staff	-.160	-.046
Field of Activity: Business	-.007	-.067
Field of Activity: Development Cooperation	-.124	-.076
Field of Activity: Education	.060	.069
Field of Activity: Environment or Animals	.015	-.030
Field of Activity: Health Care	-.049	.057
Field of Activity: Human Rights and Workers' Rights	.241**	.091
Field of Activity: International Emergency Relief	.143	-.090
Field of Activity: Research	-.040	.181
Field of Activity: Religion	-.276**	.073
Field of Activity: Sports	-.186*	.193
Field of Activity: Human Services / Community improvement	-.049	.047
Field of Activity: Culture or Art	.402***	.137
Field of Activity: Consumer or Citizen Interests	-.084	-.050
N	86	88
R ²	.481	.236

* p < 0.10, ** p < 0.05, *** p < 0.001 (two-tailed)

6.6. Discussion

Internal governance is a crucial means for INGOs to achieve legitimacy, accountability, and effectiveness particularly with regard to the challenging and volatile global environments in which they operate, increased calls for professionalization of the sector, and resource scarcity (Anheier & Themudo, 2005; Lindenberg & Dobel, 1999). In this context a fundamental question for INGOs is how to deal with their extremely broad and heterogeneous set of stakeholders as indicated by the International Non-Governmental Organizations Accountability Charter (2005). From a resource dependency and stakeholder theory perspective (Freeman, 1984; Pfeffer & Salancik, 1978), the question is which of those stakeholders constitute primary stakeholders in respect to the needed resources (Speckbacher, 2008), or, in other words, which of those stakeholders are given residual rights of control: the right to nominate members of the board or to be represented on the board. In our study, we therefore analyzed whether INGOs follow the nomination mode of membership organizations, where the board is elected by the organizational actors and members, or of board-managed organizations, where the board is appointed by the most influential external stakeholders (Enjolras, 2009).

In sum, we find that the residual rights in INGOs are unequally distributed and that in INGOs with their headquarters in Switzerland the decision of whether to follow a membership model or a board-managed model partly depends on the most important resource providers or, in other words, primary stakeholders:

First, we find that INGOs already integrate public administrations and governments, hence traditional INGO donors, in addition to their individual and regional member organizations. However, social investors, e.g., foundations and philanthropists are often excluded from the board. These resource providers do not hold significantly more residual rights of control in INGOs which finance themselves primarily through their contributions. The results thereby indicate that external resource providers hold a weak bargaining position with respect to INGO governance. Their residual rights of control are not protected. They do not have the chance to influence the mission and the strategy of the INGO through board politics, they do not participate directly in the oversight of the executive director and they do not represent the organization externally. Our results indicate that only the members of INGOs, both individual members and regional member organizations, in fact hold residual rights in

the majority of the cases: They occupy an important position when it comes to the nomination and election of board members and they have more representatives on the board level. In other words, these INGOs are organized more democratically as board members are elected by general assemblies and not nominated by the board itself. *In conclusion, if donors other than governments and individual and regional member organizations become more important for the funding of the INGO, INGOs need to find ways to integrate them into their board despite their democratic decision-making processes.*

Second, we find that only those INGOs with a strong degree of volunteer involvement at the headquarters tend to allow volunteers to vote for board members, for example, through a general assembly. If the volunteers are only represented on the periphery, even by a high number, they are excluded. Nevertheless, as in the case of the donors, from a resource dependency theory perspective, these stakeholders ought to be involved in the organization's internal governance. One of the reasons for these results might be the difficulty in leading volunteers (Kreutzer & Jäger, 2010). It seems to be much more convenient for boards to exclude this group of stakeholders from residual rights of control. Furthermore, it is likely that not all types of volunteers will evenly ask for residual rights of control. In some cases the intrinsic motivation to work towards common goals and to network with people with similar values and beliefs will be sufficient rewards for volunteers, even if an INGO excludes them from decision making processes. *However, if volunteers become more important as a resource provider, INGOs also need to find ways of strengthening their position in the governance of the INGO, for example by allowing them to vote for board members or by nominating board members representing volunteers.*

These results suggest that there is a need for INGOs to move from the membership model to the board-managed model while still maintaining democratic internal governance mechanisms in order to provide primary stakeholders with residual rights of control. This interpretation is based on the following argument: On the one side external stakeholders such as donors like philanthropists, foundations and volunteers provide vital tangible and intangible resources to the INGOs and therefore legitimately claim residual rights of control, i.e. by nominating board members (board-managed model). On the other side, internal primary stakeholders such as regional and individual members as well as volunteers also provide vital tangible and intangible

resources to the INGO and legitimately push for democratic governance mechanisms allowing them to vote for board members (membership model).

The question is whether the observed lack of influence from external primary stakeholders in the internal governance weakens the overall legitimacy, accountability and performance of the INGO. If we assume that a vital function of nonprofit boards is to establish links to important stakeholders and to effectively control and monitor the organization, it is reasonable to argue that it does. These stakeholders not only provide vital resources and hence have the right to monitor the use of the resources, they also possess access to important information which is vital for the board in order to effectively fulfill its tasks. For example, volunteers are in the front ranks when it comes to the implementation of programs and have direct contact with the recipients of services of the INGO. In order to ensure sustainable long-term performance, board members ought to monitor and manage relationships between the various stakeholders and ensure organizational responsiveness. Key roles of INGO boards are to represent key stakeholders, to facilitate negotiation, to resolve potential conflicting interests, and to ensure that management acts in the interest of these stakeholders. On the other side, internal democratic governance mechanisms are an important aspect of self-governance which is a constituting criteria for INGOs (Gordenker & Weiss, 1995; Vakil, 1997). *Therefore, INGOs face the challenge of following the board-management model in order to strengthen the position of important stakeholders within their internal governance while still maintaining their internal democratic governance mechanisms.*

6.7. Conclusion

Based on the previously introduced results, our study mainly provides practitioners and researchers with an empirical contribution to the field of the governance of INGOs: First, our study provides a comprehensive profile of the Swiss INGO sector. To date, only studies on the Swiss nonprofit sector in general are available (Helmig et al., 2009; Jakob et al., 2009; Nollert & Budowski, 2009) and there are no specific data on INGOs or international nonprofit organizations. Our research reveals how many INGOs are active in the field, how big and old they are, in which fields they are active and how their governance is structured.

Second, the study sheds light on the governance of INGOs from a comparative point of view. Several studies have discussed qualitatively different designs for the governance of INGOs (Fowler, 1997; Lindenberg & Bryant, 2001; Young, 1992), but very few quantitative studies are available that provide an empirical overview of the sector and test the hypotheses gained by the qualitative endeavors. Further, existing studies do not deal with board nomination modes and stakeholder representation in particular (Andrés-Alonso et al., 2009; Iecovich, 2005a). Our study shows that board nomination modes and stakeholder representation in INGOs vary, how they vary, and why they vary.

Third, practitioners may find it useful to use our theoretical model when facing the challenge of how to treat different stakeholders. Again, we believe that it is vitally important and rational for INGOs to view themselves as accountable to a wide range of stakeholders. Nevertheless, we argue that from a resource dependency perspective INGOs should decide which stakeholders are treated as primary stakeholders and hence receive the right to play an important role as actors within the internal governance of the organization. Our argument is that donors and volunteers are primary stakeholders in an economic sense as they provide vital and specific resources to the organization, create value for the organization, and at the same time do not possess completely specified claims on their return on investment. An INGO cannot succeed without their support and therefore they should be granted residual rights of control.

Our study has several important limitations. To further strengthen our results, longitudinal studies over a longer period of time in a multitude of countries would be desirable. Our study only provides a snapshot of the Swiss INGO sector and we are not able to describe trends. Also, the results of such an empirical study could differ in an Anglo-Saxon country as the models of governance are different there. Hence, a comparative implementation of our theoretical model in different countries would significantly strengthen the reliability and validity of our results.

Another limitation is that the study only touches upon board nomination modes and stakeholder representation and does not analyze the structure and functioning of INGO boards in detail. This is where we see promising directions for further research. Our research could serve as a starting point for further empirical, quantitative work on different aspects of INGO governance and how the design of INGO governance depends on different internal and external aspects. Given the huge variety of different

types of INGOs, such comparative studies seem particularly fruitful. Also, INGOs are in need of integrated models of governance which allow them both to install democratic internal governance mechanisms in which individual members, regional member organizations, and volunteers can vote for board members and which also allow them to represent their most important external stakeholders and resource providers on the board level. Overall, the sector deserves more scientific attention given its importance within global governance and its level of exposure to public expectation as well as criticism. After all, INGOs "make the world far more global than it would otherwise be" (Boli, 2006: 345).

7. Who governs INGOs? Internal and External Determinants of Board Attributes and Board Composition

7.1. Introduction

The rise of international nongovernmental organizations (INGOs) worldwide in the past decades has been characterized as a "global associational revolution" comparable to the earlier rise of the nation-state (Salamon, 1997b). As INGOs grow globally and gain further responsibility and impact, a public and scientific debate has emerged regarding whether these organizations are well prepared to play an effective and trustworthy role in global governance (Anheier & Hawkes, 2009; L. D. Brown, 2008a; Dichter, 1989; Hall & Kennedy, 2008; Lindenberg & Bryant, 2001).

The boards and board members of INGOs hold a crucial position in this regard. Ideally, they provide the INGO with effective oversight and control as well as strategic direction, stakeholder representation, and resource acquisition. It has therefore frequently been argued that internal governance is related to effectiveness, legitimacy, and accountability in nonprofit organizations (NPOs) and INGOs (W. A. Brown, 2005; Foreman, 1999; Fowler, 1997; Glaeser, 2003; Herman & Renz, 2000; Provan, 1980). At the same time, practitioners are faced with recommendations from a variety of angles on how they should structure their boards (Carver, 1997; Heimovics *et al.*, 1993; Hilb & Renz, 2009).

Nevertheless, we know little about board attributes such as board size and activity, as well as board composition in terms of CEO duality, the percentage of outsiders, gender, age, nationality, and fields of expertise and professional background. In particular, a comparative view on these issues and the analysis of internal and external determinants of those attributes is lacking (Lewis, 1998). Very few studies are available (Andrés-Alonso *et al.*, 2009; Iecovich, 2005a, 2005b). This is an important gap as INGOs lack effective external oversight (Glaeser, 2003). Therefore, effective internal governance mechanisms, which are ultimately the responsibility of the boards and their members, are necessary to ensure effective oversight and control. Moreover, well-designed and -composed boards can serve as a powerful tool for INGOs to acquire relevant know-how, networks, resources and legitimacy.

This paper aims to shed light on this issue by quantitatively analyzing the board attributes and their determinants of Swiss INGOs registered with the Union of International Associations (UIA). Employing a holistic perspective encompassing internal and external determinants, I derive hypotheses from the empirical literature on nonprofit governance and test whether they are valid for this subtype of NPOs. I add variables which arguably are relevant for the governance of INGOs, such as the degree of internationalization and regions of activity. The overall research question is: *To what extent do board attributes and board composition in international nongovernmental organizations depend on internal and external determinants?*

This paper is organized as follows: After a background section with a literature review and remarks on INGOs in Switzerland, I present the theoretical frame, methods, and empirical results of this study. In the last section I discuss the results, outline contributions to literature and practice, and give recommendations for future research.

7.2. Background

INGOs are a subtype of nonprofit organization (Boli, 2006; Martens, 2002; Salamon, 2003; Vakil, 1997). They are generally defined as being self-governing, private, not-for-profit, and having an explicit social mission (Vakil, 1997). According to Boli (2006), there are currently 6,000 to 7,000 fully transnational INGOs operating in a multitude of countries. In their complex organizational structure, the design of INGO governance stands at the core of their managing challenges. The term governance is used in a variety of contexts to describe decision-making processes in organizations and entities such as companies, public administrations, countries, and INGOs. Even though there is an immense amount of research and discussion on the application of the concept in different contexts, the term lacks a common interdisciplinary definition. Corporate governance is often defined as a system "by which companies are directed and controlled" (Cadbury, 2002: quoted in Hilb, 2008: 9). Similarly, nonprofit governance can be defined as a system by which INGOs are directed and controlled.

Governance is usually seen as the primary task of the governing board. INGOs boards are typically composed of democratically elected individuals, nominated from

the private and public sphere, or representatives from national member organizations who are part of the INGO's federal structure. The governing board often is referred to as the advisory council, board of trustees or the board of directors. For reasons of simplification, I will refer to it as the *board* in this paper. The board is expected to supervise and evaluate the CEO, oversee program and budgetary matters, define the overall strategy, ensure that resources are used efficiently and appropriately, measure performance and seek to maintain public trust (see for example Anheier, 2005; KPGH, 2006).

Research on nonprofit governance and nonprofit boards has grown tremendously over the past ten years and various sets of models and theories have increased our knowledge in this area significantly (Cornforth, 2003; Holland, 2008; Hopt & von Hippel, 2010; Jegers, 2009; Miller-Millesen, 2003; Murray, 1998; Ostrower & Stone, 2006; Saidel, 2002). Arguably, the performance of nonprofit boards and the design of nonprofit governance is an important determinant of organizational performance (W. A. Brown, 2005; Herman & Renz, 2000; Provan, 1980; Siciliano, 1996, 1997). Academic research stresses that there are no effective external control mechanisms in place, so that INGOs require effective internal governance mechanism for their supervision (Gibelman & Gelman, 2001, 2004; Glaeser, 2003). This pressure has inspired much research on the topic and hence INGOs are faced with recommendations from multiple directions on how they should design their governance (see for example Carver, 1997; Hilb & Renz, 2009; Houle, 1997; KPGH, 2006). Given resource scarcity, increased calls for professionalization, and the multitude of stakeholders in the sector, INGOs face enormous challenges and their boards play an important role when dealing with those challenges. Moreover, well-designed and -composed boards can serve as a powerful tool for INGOs to acquire relevant know-how, networks, resources and legitimacy

The focal point of this paper is board attributes in INGOs. The study hereby addresses two aspects that have not been fully covered by past research in the field: First, the governance of INGOs - as a subtype of NPOs - has received far less attention than the governance of national NPOs even though, as described above, their impact and responsibility has grown dramatically in the past several decades (Anheier & Themudo, 2005; Charnovitz, 2006; Curbach, 2003; Foreman, 1999; Hudson & Bielefeld, 1997; Teegen et al., 2004). Their internal organizational structures, management, and governance remain fields which need further systematic research

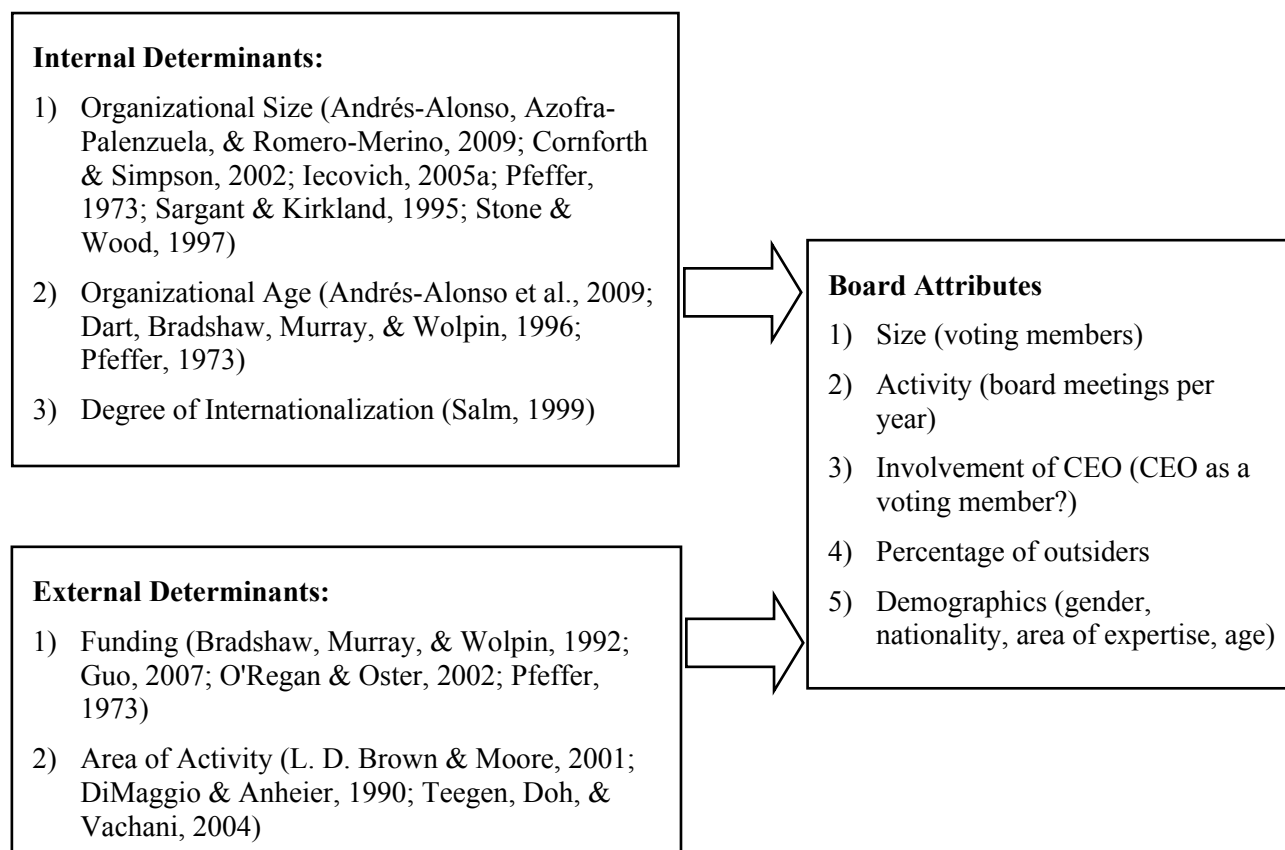
(Lewis, 1998, 2006). Very few studies are available (Andrés-Alonso et al., 2009; Andrés-Alonso *et al.*, 2006; L. D. Brown, 2008b; Foreman, 1999; Fowler, 1997; Iecovich, 2005a, 2005b; Lindenberg & Bryant, 2001; Salm, 1999).

Second, researchers in the nonprofit field agree that is important to develop and test a systematic body of knowledge about the impact of internal and external contingency factors on board attributes in nonprofit organizations (Bradshaw, 2009; Miller-Millesen, 2003; Ostrower & Stone, 2009). This is also true for the subtype of INGOs. In fact, several empirical and theoretical studies on internal and external determinants of board attributes exist and have advanced our knowledge in governance research significantly (Andrés-Alonso et al., 2009; Iecovich, 2005a; Ostrower & Stone, 2009). These analytical approaches reject the hypothesis that there is a one-size-fits-all model for nonprofit governance (Heimovics et al., 1993; Murray, 1998; M. K. Robinson, 2001).

7.3. Theory

The theoretical framework derives hypotheses from the literature on nonprofit governance, adding hypotheses on internal and external conditions that arguably have a significant impact on the governance of INGOs such as the degree of internationalization (see Figure 3). If applicable, I incorporate research findings on corporate governance as well.

Figure 3: Theoretical Model on Internal and External Determinants of Board Attributes



Three theoretical views inform this theoretical framework: Principal-agent theory, resource dependency theory, and neo-institutional theory. Whereas principal-agent theory describes internal determinants of INGO governance, resource dependency theory and neo-institutional theory describe external determinants. I will describe how these theories assess the relevance of internal and external determinants and subsequently present my hypotheses.

Principal-agent theory distinguishes between the owners of an enterprise (the principal) and those that manage it (the agent). In this view, governance is a means to ensure that the agent complies with the interests of the principal (Eisenhardt, 1989; Fama & Jensen, 1983; Pratt & Zeckhauser, 1985). Therefore, organizational characteristics should be reflected in board attributes and board composition: With increasing organizational complexity, boards have to fulfill more complex controlling functions. For example, an increasing organizational complexity should lead to a bigger and more active board.

Nevertheless, the theory falls short in addressing external rather than internal mechanisms. Resource dependency theory shows that organizations are embedded in and interdependent with their environment (Pfeffer & Salancik, 1978). The survival and impact of an INGO depends on external resources and the governance of an organization should ensure that it acquires them. For example, as argued below, INGOs choose board members according to their fields of activity and sources of funding to acquire relevant know-how and networks.

Neo-institutional theory suggests that nonprofits are susceptible to external legitimacy demands and therefore tend to rationalize internal structures in order to ensure survival (Scott, 2001; Suchman, 1995). INGO boards are one way to communicate externally the organization's responsiveness to efficiency norms as well as the interests, identities and preferences of key stakeholders (Abzug & Galaskiewicz, 2001). Hence, nonprofit boards should be selected to satisfy these external demands, for example, by nominating professional business experts. Depending on the fields of activity and sources of funding, board demographics should differ, since the external legitimacy needs differ as well.

In line with the literature on nonprofit governance, I do not expect that internal and external determinants play a role with respect to every single dependent variable studied here. In the following section I will derive my hypotheses and describe how the internal and external contingency factors relate to different board attributes.

7.3.1. Board Size and Activity

Internal Determinants

According to the literature on NPOs, board size and activity depend primarily on internal determinants. Organizational size in terms of annual budget, members and employees has an impact on the number of board members with full voting privileges. First of all, larger NPOs have larger boards (Cornforth & Simpson, 2002; Pfeffer, 1973; Sargant & Kirkland, 1995). Stone and Wood (1997) find that small size leads to relatively simple governance structures and small boards. The reason is that a larger organizational size can be associated with a growing organizational complexity and that therefore a broader set of expertise and stakeholders needs to be present on the board. This is in line with principal-agent theory, assuming that the main function of the board is to effectively monitor and control the INGO.

H1a: A large organizational size of an INGO in terms of annual budget, number of members and number of employees leads to a larger size of the board.

It can be assumed that the organizational complexity also grows along with the organization's age, although this relationship certainly is not linear (Andrés-Alonso et al., 2009; Wood, 1992). Therefore, boards of older INGOs may also be bigger (Dart et al. 1996).

H1b: Older INGOs will have larger boards.

More and more INGOs are choosing to go global and to coordinate their activities more centrally (Salm, 1999). I expect that INGOs with a higher degree of internationalization have larger boards in order to attain knowledge for the different regions and in order to represent stakeholders from the different countries in which the INGO is active.

H1c: The higher the degree of internationalization of an INGO, the larger its board.

Following the above reasoning, I also expect boards to meet more frequently (board activity) as organizational complexity grows:

H2a: A large organizational size of an INGO in terms of annual budget, number of members and number of employees leads to more board meetings per year.

H2b: The older an INGO is, the more board meetings there will be per year.

H2c: A higher degree of internationalization of an INGO leads to more board meetings per year.

External Determinants

Furthermore, according to the literature, funding should affect board size. Major donors want to sit on the board in order to exercise monitoring and controlling rights. The greater the proportion of funds donated by one single institution is, for example, government, the smaller the size of the INGO board will be (O'Regan & Oster, 2002; Pfeffer, 1973). Accordingly, a big board seems to be more common in organizations

which depend more on donations than on public funds or on a multitude of several different donors (Bradshaw et al., 1992).

H3: A larger relative size of an INGO's biggest financial source leads to a board of smaller size.

7.3.2. Board Composition

I study the impact of internal and external determinants on three aspects of board composition: CEO duality, number of outsiders in the board, and demographics of the board with regard to gender, age, nationality, and field of expertise. Whereas CEO duality and the percentage of outsiders on the board level theoretically depend primarily on internal conditions, board demographics depend more heavily on external conditions.

CEO Duality

In larger INGOs it is more likely that the CEO is a voting member of the board. The reason is that organizational complexity grows and it would be more difficult for the board to exercise its controlling function if the CEO, with his privileged access to information and his management responsibility, were not a board member (Iecovich & Bar-Mor, 2007).

H4: A growth/increase in an INGO's size leads to the inclusion of the CEO as a voting member on the board.

Percentage of Outsiders

The number of outsiders on the board, i.e., board members who are not simultaneously employed by the organization, is observed to increase as the INGO increases in age (Boone, Casares Field, Karpoff, & Raheja, 2007; Raheja, 2005). The reason is that, after foundation, an INGO typically forms a board with managers of the organization. With increasing age and degree of professionalization, the INGO recruits a higher percentage of outsiders.

H5: An INGO's increase in age leads to a higher percentage of outsiders on the board.

Demographics

Lastly, I test determinants of board demographics in terms of gender, age, nationality, and field of expertise. In line with neo-institutional theory, it is likely that INGOs active in the same field of activity develop similar board compositions. As argued above, INGO boards are one way to communicate externally the organization's responsiveness to efficiency norms as well as the interests, identities, and preferences of key stakeholders (Abzug & Galaskiewicz, 2001). Resource dependency theory reminds us that board demographics also depend on sources of funding (Freeman, 1984; Pfeffer & Salancik, 1978). For example, researchers have found that the gender and age of nonprofit board members depend on fields of activity (Abzug et al., 1993; Ostrower & Stone, 2006) and I test whether this is also the case in INGOs:

H6: The field of activity of an INGO has an impact on the percentage of female board members in INGOs.

H7: The field of activity of an INGO has an impact on the age of board members in INGOs.

Further, it is likely that INGOs with a higher degree of internationalization reflect this diversity on the board level. I measure the degree of internationalization by taking the number of countries in which the INGO is active. On an aggregated level, INGOs which are active in certain regions of the world arguably recruit board members who come from these regions in order to obtain additional legitimacy and expertise.

H8: INGOs recruit board members who come from its regions of activity.

Different areas of activity imply that different types of expertise are important on the board level (Herman & Renz, 1998). For example, INGOs active in business are likely to recruit a higher percentage of board members with management and finance expertise because their stakeholders expect them to do so. INGOs active in specialized fields will need more board members who are experts in those particular fields.

H9: INGOs recruit board members according to their area of activity.

From a resource dependency theory perspective (Pfeffer & Salancik, 1978), board composition also depends on sources of funding. For instance, INGOs which depend heavily on donations need more experts in fundraising on the board, and

INGOs which generate significant resources through economic activities need more management expertise on the board.

H10: INGOs recruit board members according to their primary sources of funding.

7.4. Method

To hold relevant exogenous variables constant, I only study INGOs based in Switzerland, which allows me to compare organizations which operate under the same regulatory and economic environment. Arguably, these factors have a strong impact on governance (Curbach, 2003; DiMaggio & Anheier, 1990; Salamon & Anheier, 1998).

With some 1,000 INGOs, Switzerland hosts a remarkably high number of INGOs in relation to its population size, according to data from the UIA (Lee, 2010; Smith & Wiest, 2005; UIA, 2010). About 15% of all registered INGOs worldwide have their headquarters in Switzerland, among them some of the most well-known and oldest INGOs worldwide.

Data were obtained through a standardized electronic questionnaire which was largely inspired by a study by Ostrower and Stone (2009). I did not use secondary data for analysis for the following reasons: INGOs tend not to be very transparent when it comes to issues surrounding governance. Annual reports and information on board composition are often not publicly available (Lloyd *et al.*, 2008). Other sources with a comprehensive set of data on INGOs in general and their governance in particular also do not exist in Switzerland.

We sent the electronic questionnaire to all 924 INGOs registered in the Statistical Yearbook of the UIA which have their main headquarters in Switzerland. Within this population there is a wide variety of types of INGOs, encompassing large federations such as the International Olympic Committee, foundations such as the Kofi Annan Foundation, advocacy associations such as the World Wide Fund for Nature, international relief organizations such as the International Committee of the Red Cross, but also many smaller organizations active in very different fields. The UIA is the quasi-official source at the United Nations for INGOs and has been used for a large variety of studies in the field (Boli, 2006; Keck & Sikkink, 1998; Lee, 2010; Smith &

Wiest, 2005). Nevertheless, the dataset has thus far not been used in order to study governance-related questions.

Data collection was carried out between June and August 2010. I received 249 responses, which equates to a return rate of 27%. With respect to a number of the questions, the response rate was lower and the respective figures for n are described in the results. To test my hypotheses, I run linear regression analysis using PASW Statistics 18. Table 20 presents an overview of the variables used in our statistical model.

Board Attributes and Board Composition

Table 20: Variables

Variables	Definition
Board Size	Number of board members with full voting privileges
Board Activity	Number of board meetings in 2009.
Funding	Importance of fees and charges from individual members as a revenue source (1: 0%; 2: 1-9%; 3: 10-24%; 4: 25-49%; 5: 50-74%; 6: 75-100%)
	Importance of donations from individuals as a revenue source (1: 0%; 2: 1-9%; 3: 10-24%; 4: 25-49%; 5: 50-74%; 6: 75-100%)
	Importance of grants, donations or contracts from foundations as a revenue source (1: 0%; 2: 1-9%; 3: 10-24%; 4: 25-49%; 5: 50-74%; 6: 75-100%)
	Importance of grants, donations or contracts from government or public agencies as a revenue source (1: 0%; 2: 1-9%; 3: 10-24%; 4: 25-49%; 5: 50-74%; 6: 75-100%)
Funding: Regional member organizations	Importance of fees and charges from regional organizations as a revenue source (1: 0%; 2: 1-9%; 3: 10-24%; 4: 25-49%; 5: 50-74%; 6: 75-100%)
Funding: Economic activities	Importance of economic activities as a revenue source (1: 0%; 2: 1-9%; 3: 10-24%; 4: 25-49%; 5: 50-74%; 6: 75-100%)
Funding: Endowment income	Importance of endowment income as a revenue source (1: 0%; 2: 1-9%; 3: 10-24%; 4: 25-49%; 5: 50-74%; 6: 75-100%)
Size: Revenues	Total revenues of the organization in 2009.
Size: Individual members	Number individual members
Size: Paid staff	Number of paid staff
Size: Volunteers	Number of volunteers
Age	Age of the organization

Board Attributes and Board Composition

(cont.)	Variables	Definition
Degree of internationalization	Size: Countries of activity	Number of countries of activity.
Field of activity	Field of Activity: Business	1: Active in the field of business; 0: Not active in the field of business
	Field of Activity: Development Cooperation	1: Active in the field of development cooperation; 0: Not active in the field of development cooperation
	Field of Activity: Education	1: Active in the field of education; 0: Not active in the field of education
	Field of Activity: Environment or Animals	1: Active in the field of environment or animals; 0: Not active in the field of environment or animals
	Field of Activity: Health Care	1: Active in the field of health care; 0: Not active in the field of health care
	Field of Activity: Human Rights and Workers' Rights	1: Active in the field of human rights and workers' rights; 0: Not active in the field of human rights and workers' rights
	Field of Activity: International Emergency Relief	1: Active in the field of international emergency relief; 0: Not active in the field of international emergency relief
	Field of Activity: Research	1: Active in the field of research; 0: Not active in the field of research
	Field of Activity: Religion	1: Active in the field of religion; 0: Not active in the field of religion
	Field of Activity: Sports	1: Active in the field of sports; 0: Not active in the field of sports
	Field of Activity: Human Services / Community improvement	1: Active in the field of human services / community improvement; 0: Not active in the field of human services / community improvement
	Field of Activity: Culture or Art	1: Active in the field of culture or art; 0: Not active in the field of culture or art
	Field of Activity: Consumer or Citizen Interests	1: Active in the field of consumer or citizen interests; 0: Not active in the field of consumer or citizen interests

Description of the Sample

The sample reflects the large heterogeneity of the Swiss INGO-Sector: Of the 249 organizations, 67% are constituted as associations, 16% as foundations, 1% as co-operatives and 16% report having a different legal form or no regular judicial status. The organizations are active in a variety of fields, many of them in education, research, and development cooperation (see Table 21). The organizations were founded between 1869 and 2006 and they report being active in a wide variety of regions (see Table 22).

Table 21: Fields of Activity

Field of Activity	Percentage
Education	28.45%
Research	17.24%
Development Cooperation	15.95%
Health Care	13.36%
Human Rights and Workers' Rights	10.78%
Business	8.19%
Sports	7.33%
Environment or Animals	6.90%
Culture or Art	5.17%
Human Services / Community improvement	4.74%
International Emergency Relief	3.88%
Religion	3.88%
Consumer or Citizen Interests	2.59%
Other	23.71%

N=249.

Table 22: Regions of Activity

Regions of Activity	Percentage
Western Europe	55.82%
Central Eastern Europe and Russia	43.78%
Asia	40.56%
Africa	38.15%
South America	36.55%
North America	35.74%
Oceania	26.10%

N=249.

On average, they are active in 45 countries. The organizations have up to 3,000 regional and national member organizations. They employ up to 600 full-time staff and enjoy the support of up to 100,000 volunteers. Their average annual budget is 4,760,000 Swiss Francs (3,650,000 Euro), ranging from 600 Swiss Francs (450 Euro) to more than 50 million Swiss Francs (28 million Euro).

Almost all INGOs in this sample have a central governing board, executive committee or board of directors which represents the organization internationally (96%). My data further indicate that in 88% of the INGOs there is no financial compensation for board members.

The INGOs in this sample primarily fund their activities through donations from individuals; grants, donations or contracts from foundations; grants, donations or contracts from the government; fees and charges from organizational members; fees and charges from individual members; economic activities; and, to a lesser extent, endowment incomes and other sources (see Table 23). In this study, 17% of the total revenues of INGOs are generated through economic activities, showing an increasing hybridization of the sector.

Table 23: Sources of Funding

Revenues	Percentage
Fees and charges from organizational members	21%
Economic activities	17%
Fees and charges from individual members	14%
Grants, donations or contracts from foundations	12%
Grants, donations or contracts from government	12%
Donations from individuals	11%
Endowment income	6%
Other	7%

N=105.

7.5. Results

7.5.1. Board Size and Activity

Internal Determinants

INGOs in Switzerland vary widely with regard to the number of board members with full voting privileges, ranging from 3 to 50 (see Table 24). Most INGOs have between 5 and 15 board members and the mean board size is 11.

Table 24: Board Size

Number of board members	Percentage
1 - 5	21%
6 - 10	36%
11 - 15	23%
16 - 20	13%
21 - 30	3%
31 - 50	3%

N=119.

Internal factors such as organizational size, age, and degree of internationalization are associated with higher organizational complexity and should

be related to board size, as predicted by hypotheses 1a, 1b, and 1c. However, my results do not confirm previous findings in the field. I find that organizational size, age, and degree of internationalization are not associated with larger boards. The coefficients of the individual linear regressions are weak and not significant (see Table 25).

Table 25: Relationship between Organizational Size, Age, and Degree of Internationalization and Board Size

	Board size	Board activity
Size: Revenues	.023	-.268
Size: Paid staff worldwide	-.036	.379
Size: Volunteers worldwide	.049	.122
Size: Individual members	.166	.035
Size: Organizational members	.040	-.047
Organizational Age	.106	-.152
Degree of internationalization	.263**	-.010
N	85	85
R ²	.164	.056

* p < 0.10, ** p < 0.05, *** p < 0.001 (two-tailed)

Also, with regard to the number of board meetings in 2009, INGOs vary markedly. Five INGOs did not have any meetings, 1 INGO reports to have had 45 meetings. This case has to be considered as an outlier as the second highest number of board meetings is 15. Most INGOs had between 1 and 4 meetings (see Table 26).

Table 26: Board Meetings

Number of board members	Percentage
0	4%
1	21%
2	37%
3	11%
4	15%
5-15	11%
45	4%

N=119.

Further, just as for the size of the board, I do not find significant correlations between the number of board meetings and the organizational size, age, and degree of internationalization (see Table 25) and thereby reject hypotheses 2a, 2b, and 2c.

External Determinants

I further test whether funding has an impact on board size in INGOs as predicted by the literature on the governance of NPOs (H3). I find that the boards from organizations which primarily finance themselves through donations from individuals are significantly smaller (see Table 27). However, I do not find that, generally, a bigger size of the largest financial resource leads to a smaller size of the board and thus reject hypothesis 3.

Table 27: Relationship between Sources of Funding and Board Size

	Board size
Donations from individuals	-.201*
Grants, donations or contracts from foundations	-.125
Grants, donations or contracts from government	.056
Fees and charges from organizational members	-.079
Fees and charges from individual members	.083
Endowment income	.038
Economic activities of the organization	.072
Other	-.051
N	108
R ²	.090

* p < 0.10, ** p < 0.05, *** p < 0.001 (two-tailed)

7.5.2. Board Composition

CEO Duality

The CEO, executive director, or secretary general is a voting member of the board in 53% of the INGOs in this sample. According to the existing literature, an increase in an INGO's size should lead to CEO duality (H4). I find that an increase in an INGO's size in terms of annual budget and the number of organizational and

regional members does in fact lead to the inclusion of the CEO as a voting member of an INGO, confirming hypothesis 4 (see Table 28).

Table 28: Relationship between Organizational Size and CEO Duality

	CEO Duality
Size: Revenues	.375**
Size: Paid staff worldwide	-.227
Size: Volunteers worldwide	.023
Size: Individual members	.099
Size: Organizational members	.321*
N	92
R ²	.130

* p < 0.10, ** p < 0.05, *** p < 0.001 (two-tailed)

Outsiders

The boards of Swiss INGOs are mostly constituted by board members who are not simultaneously employed by the organization. As expected, the percentage of outsiders grows with an increase in an INGO's age (.290**), confirming hypothesis 5. I do not find any other significant patterns. For example, the percentage of outsiders does not depend significantly on the field of activity and major sources of funding of the INGO (see Table 29). The only exception is that funding from foundations leads to an increase in the number of outside board members.

Table 29: Relationship between Age and Outsiders on the Board

	Outsider
Age	.314**
Education	-.125
Research	.014
Development Cooperation	.026
Health Care	.162
Human Rights and Workers' Rights	.050
Business	-.120
Sports	.148
Environment or Animals	.078

Board Attributes and Board Composition

(cont.)	Outsider
Culture or Art	-.181
Human Services / Community improvement	.063
International Emergency Relief	-.016
Religion	.050
Consumer or Citizen Interests	-.096
Donations from individuals	-.050
Grants, donations or contracts from foundations	.238*
Grants, donations or contracts from government	-.128
Fees and charges from organizational members	.130
Fees and charges from individual members	-.127
Endowment income	-.032
Economic activities	.043
N	102
R ²	.261

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.001$ (two-tailed)

Demographics

In line with the existing literature on nonprofit governance, I expect that INGOs recruit board members according to their area of activity and types of funding, indicating that external determinants have an impact on board demographics.

Gender

Women are underrepresented on INGO boards. This is consistent with the findings of other studies on nonprofit boards. These studies also show that the percentage of female board members is even lower in corporate boards (Ostrower & Stone, 2006). In my sample, 27% of the INGOs have no female board members at all, and in 64%, no more than one-fourth of board membership is represented by women.. Only in 13% of the cases do women constitute the majority of INGO boards (see Table 30).

Table 30: Gender

Percentage of female board members	Percentage
0%	27%
0.01 - 25%	37%
25.01 - 50%	24%
50.01 - 75%	8%
75.01 - 99.99%	2%
100%	3%

N=119.

According to hypotheses 6, the large variance in this sample can partly be explained by the different fields of activity. My results confirm that the percentage of female board members varies to some extent with the INGO's field of activity (see Table 31). It is significantly lower in the fields of business, religion and sports while it is significantly higher in the field of human rights and worker's rights, thereby confirming hypotheses 6.

Table 31: Field of Activity and Percentage of Female Board Members

	Gender
Business	-.181*
Development Cooperation	-.084
Education	.072
Environment or Animals	-.028
Health Care	.062
Human Rights and Workers' Rights	.354***
International Emergency Relief	.018
Research	-.040
Religion	-.192**
Sports	-.172*
Human Services / Community Improvement	-.018
Culture or Art	.084
Consumer or Citizen Interests	.116
N	118
R ²	.213

* p < 0.10, ** p < 0.05, *** p < 0.001 (two-tailed)

Age

Research indicates that most board members of NPOs are in their fifties or sixties (Middleton Stone, 1987). This is also true for the INGOs in this sample, where younger age groups are clearly underrepresented. Only 4% of all board members are under 35 years old, 31% between 35 and 50, 54% between 51 and 65, and 14% above 65 (see Table 32).

Table 32: Age of Board Members

Age of board members	Percentage
Under 35	4%
35 till 50	31%
51 - 65	54%
Above 65	14%

N=119.

Table 33: Field of Activity and Age of Board Members

	Age
Business	.146
Development Cooperation	.031
Education	-.166
Environment or Animals	.103
Health Care	-.026
Human Rights and Workers' Rights	-.075
International Emergency Relief	.172
Research	.103
Religion	.086
Sports	.217**
Human Services / Community Improvement	.088
Culture or Art	.021
Consumer or Citizen Interests	-.122
N	114
R ²	.141

* p < 0.10, ** p < 0.05, *** p < 0.001 (two-tailed)

Nevertheless, this is a general phenomenon in the sector and I do not find many significant patterns according to field and type of activity, even though board members

in sports INGOs tend to be significantly older than board members in INGOs active in other fields (see Table 33). Therefore, hypothesis 7 is only partly confirmed.

Nationality

Unsurprisingly, the majority (60%) of board members in Swiss INGOs are Western European, while 12% are from North America, 10% from Asia, 8% from Central Eastern Europe and Russia, and 12% from other regions (see Table 34).

Table 34: Nationality of Board Members

Nationality of board members	Percentage
Western Europe	60%
North America	12%
Asia	10%
Central Eastern Europe and Russia	8%
Africa	5%
South America	4%
Oceania	3%

N=119.

I find that the regions of activity of an INGO have a strong impact on the nationality of board members (H8). Apparently, INGOs try to recruit local expertise. Except for the regions Oceania and Western Europe, the correlations between regions of activity and the nationality of board members are strong and very significant (see Table 35). In addition, I find that the number of board members from Western Europe decreases strongly and significantly with an increase in an INGO's degree of internationalization (-.335**).

Table 35: Regions of Activity and Nationality of Board Members

		Regions of activity						
		Africa	Asia	Eastern Europe & Russia	North America	Oceania	South America	Western Europe
Percentage of board member from	Africa	.350*	-	-	-	-	-	-
	Asia	-	.394**	-	-	-	-	-
	Eastern Europe & Russia	-	-	.354**	-	-	-	-
	North America	-	-	-	.361***	-	-	-
	Oceania	-	-	-	-	.069	-	-
	South America	-	-	-	-	-	.344***	-
	Western Europe	-	-	-	-	-	-	.167

N=119.

* p < 0.10, ** p < 0.05, *** p < 0.001 (two-tailed)

Professional Background and Field of Expertise

With regard to the professional background and expertise of board members, I find that most board members are experts in the organization's field of activity, but that knowledge in finance, controlling, law, public relations, and fundraising is lacking (see Table 36). With 39% of all board members having a professional background or expertise in that area, expertise in management is higher than expected.

Table 36: Professional Background or Expertise of Board Members

Professional background or expertise of board members	Percentage
The organization's field of activity	76%
Management (leadership and strategy)	39%
Finance and controlling	9%
Public relations and fundraising	9%
Law	4%

N=119.

*Board members may represent more than one field of expertise.

Interestingly, the professional backgrounds and fields of expertise vary significantly according to the field of activity of the INGO (see Table 37), thereby confirming hypothesis 9. Unsurprisingly, knowledge in the particular field of activity is exceptionally important in INGOs active in research or other specialized fields. It is

Board Attributes and Board Composition

significantly lower in INGOs active in the field of education. Management expertise is stronger in INGOs active in the field of business, but also in the field of sports. Board members with law expertise are more common in INGOs active in the fields of human rights and workers' rights and also sports, it is significantly lower in INGOs active in the field of sports. Finance expertise is less common in the field of education. Lastly, public relations and fundraising expertise are more present in INGOs in the fields of religion, and environment and animals.

Table 37: Fields of Activity and Field of Expertise of Board Members

	The organization's field of activity	Management (leadership and strategy)	Law	Finance and controlling	Public relations and fundraising
Business	.039	.252**	-.185*	.160	-.086
Development Cooperation	.094	-.062	.130	.156	-.064
Education	-.195*	-.055	.019	-.179*	.034
Environment or Animals	-.054	.096	.213*	.134	.197*
Health Care	-.056	-.087	-.065	-.135	.018
Human Rights and Workers' Rights	-.045	-.031	.217**	-.022	-.012
International Emergency Relief	-.067	.170	.173	-.064	.066
Research	.244**	-.034	-.038	-.114	.136
Religion	.177	.158	.047	-.016	.364***
Sports	.017	.246**	.226*	.044	.130
Human Services / Community Improvement	-.040	-.075	-.229	.069	-.172
Culture or Art	-.001	.057	-.030	-.028	.029
Consumer or Citizen Interests	-.048	.091	-.095	-.099	-.078
Other	.162*	.090	.015	-.113	.148
N	118	118	118	118	118
R ²	.158	.162	.168	.146	.190

* p < 0.10, ** p < 0.05, *** p < 0.001 (two-tailed)

In addition, the primary sources of funding apparently also have an impact on board composition, partly confirming hypothesis 10. Running bivariate linear regression analysis I find that management expertise on the board is more common in INGOs which heavily depend on economic activities (.284*) or private contributions

from foundations (.239**) and individuals (.217*). Law and finance expertise is more common in INGOs which heavily depend on economic activities (.220*, .321**), while law expertise is also stronger in INGOs which heavily depend on contributions from foundations (.184*). Lastly, and also in line with my line of argumentation, expertise in public relations and fundraising is much more common in INGOs which primarily finance themselves through individual contributions (.296**) or contributions from foundations (.310**). INGOs which primarily depend on grants, contracts and donations from government or public agencies do have significantly more board members who have a professional background or expertise in the INGO's field of activity (.256*).

7.6. Discussion

Using a theoretical framework which integrates both internal and external factors that have been found to shape nonprofit governance, I test whether these results are also valid for INGOs and thus answer the overall research question: *To what extent do board attributes in international nongovernmental organizations depend on internal and external determinants?* In this way, the study provides an empirical contribution to the field which is relevant for practitioners and researchers. This study shows, from a comparative point of view, that board attributes vary and also indicates how and why they vary. Practitioners find important information on how boards of INGOs are structured and how other organizations react to internal and external challenges.

The study yields mixed empirical results: First, my data do not confirm the impact of internal determinants such as organizational size, age, and degree of internationalization on board size and activity (Andrés-Alonso et al., 2009; Cornforth & Simpson, 2002; Dart et al., 1996; Iecovich, 2005a) or the hypothesis that an increase in the single largest financial contribution to the INGO leads to a decrease in the size of the board (O'Regan & Oster, 2002; Pfeffer, 1973).

With regard to board composition, both internal and external determinants prove to be relevant: First, I find that an increase in the size of an INGO leads to the inclusion of the CEO as a voting member of the board. Apparently, INGO boards do

require the knowledge, expertise and the networks of the CEO to effectively govern the INGO (Iecovich & Bar-Mor, 2007).

Second, the percentage of outsiders in the board grows with the organization's increase in age. This can be attributed to the growing degree of professionalization and the need to enhance the knowledge and the networks of the board as the INGO develops (Boone et al., 2007; Raheja, 2005). Further, in INGOs the nomination of outsiders to the board is an important feature of the separation of ownership and control, which is necessary for effective control of the organization (Fama & Jensen, 1983).

Third, board demographics depend heavily on the external factors of field of activity and funding (Abzug et al., 1993; Abzug & Galaskiewicz, 2001; Ostrower & Stone, 2006). Gender and age differ to some extent across fields of activity. Further, INGOs put strong emphasis on having board members originating from their regions of activity. A growing degree of internationalization of the INGO (Lindenberg & Dobel, 1999; Salm, 1999) also leads to a growing degree of internationalization of the board. I assume that, in doing so, INGOs try not only to enhance their expertise and networks, but also their legitimacy (Abzug & Galaskiewicz, 2001; Edwards, Hulme, & Wallace, 1999). Also, the professional backgrounds and fields of expertise of the board members depend heavily on the field of activity and sources of funding. This is in line with the findings from the literature on effective governance (Herman & Renz, 1998, 1999) and the recommendation by the Swiss NPO Code that board members have the "required knowledge and experience in the key fields of activity of the organization" (KPGH, 2006: , § 13).

In sum, growing organizational complexity in terms of internal factors such as organizational size, age, and degree of internationalization does not have a direct impact on board size and activity. Nevertheless, the composition of INGO boards clearly shows that these organizations carefully select their board members in order to acquire relevant expertise and relevant networks. This is in line with the developed theoretical framework based on agency theory, resource dependency theory and neo-institutional theory.

My empirical analysis holds some important limitations: My analysis only provides a snapshot of the Swiss INGO sector and board attributes of Swiss INGOs. It would be desirable to use panel data for a longitudinal study. Since my analysis only focuses on Switzerland in order to hold several major variables constant, it is

necessary to test the validity of my results in different national settings to find differences and similarities. It would be productive to test my theoretical model for INGOs based in Anglo-Saxon countries, where a monistic system of corporate governance is more common and for INGOs based in developing countries as they will face different challenges from northern INGOs (Ebrahim, 2003; Salm, 1999).

It is also important to note that Switzerland offers an exceptionally well-established environment to recruit board members with relevant expertise and board members with an international background: Kriesi et al (1995) find in a comparative study of Western European countries that Switzerland has by far the highest level of social mobilization. Board membership in INGOs is associated with a high level of social prestige and, in fact, many Swiss politicians sit on the boards of Swiss nonprofit organizations (Nollert & Budowski, 2009). Further, cities like Geneva and Zurich have a very international and well-educated population and therefore INGOs encounter an attractive pool of potential board members.

Researchers will find the theoretical model useful in studying INGOs from other countries. It may also provide a important starting point for quantitative in-depth analysis of INGOs over a longer time period or in a multitude of countries. Further, researchers could use the findings as a starting point for qualitative analyses of particular aspects of the phenomenon, for example, the relationship between governance attributes and an organization's effectiveness (Herman & Renz, 1998; Holland & Jackson, 1998; Sowa, Selden, & Sandfort, 2004) in general or its capacity to deal with new global challenges in particular (Salm, 1999).

8. New NPO Governance Revisited

The findings of this dissertation on the governance of INGOs and NPOs yield some interesting insights for the model of *New NPO Governance* (Hilb & Renz, 2009). The New NPO Governance model shows that an integrative, holistic approach to nonprofit governance is necessary to fully understand challenges in the sector and to provide sustainable and effective advice on how governance should be designed. The findings of this dissertation support that view and set the grounds for a model of *New INGO Governance*:

Keep it Controlled

First, INGO and NPO governance need to be kept *controlled*. An example from this dissertation is board composition: Agency theory describes the need for boards to effectively control and monitor the organization and its management internally (Du Bois et al., 2009; Fama & Jensen, 1983) because effective external controls are nonexistent in the third sector (Gibelman & Gelman, 2001, 2004; Glaeser, 2003).

For example, we have shown that the head of the board of an NPO needs to have capabilities equal to those of the executive director of his organization in order to create a sustainable system of checks and balances. Examples of such capabilities are management and finance skills. Nevertheless, required competencies and areas of expertise heavily depend on the fields of activity of the organization. For instance, NPOs or INGOs active in the fields of human rights need more members with law expertise, whereas organizations which generate a lot of resources through economic activities need more finance and management expertise. Similarly, INGOs with a higher degree of internationalization also need a more international board to acquire relevant networks and expertise.

Keep it Integrated

Second, when analyzing nonprofit governance from a normative or an empirical perspective, it is important to consider both internal and external factors that shape governance institutions and the way in which people interact within these organizations (Andrés-Alonso et al., 2009; Andrés-Alonso et al., 2006; Bradshaw, 2009; Hilb & Renz, 2009; Ostrower & Stone, 2009; Scharpf, 1997) to keep INGO and

NPO governance *integrative*. The boards of NPOs and INGOs are expected to create links to the most relevant stakeholders according to stakeholder theory (Balser & McClusky, 2005; Freeman, 1984; Speckbacher, 2008), acquire resources according to resource dependency theory (Chul Hee & Cnaan, 1995; Hillman et al., 2009; Pfeffer, 1973; Pfeffer & Salancik, 1978; Provan et al., 1980), and to answer external legitimacy demands according to neo-institutional theory (Abzug & Galaskiewicz, 2001; Hager et al., 2004; Scott, 2001; Suchman, 1995).

For example, my results indicate that board nomination modes and the representation of different stakeholders do indeed depend on the relevance of different stakeholders. INGOs grant primary stakeholders residual rights of control. However, I also find that board attributes in INGOs vary extensively and that it is a tremendous challenge for these boards to fulfill many diverse tasks. Also because usually board members from NPOs and INGOs do not receive a financial compensation for their membership, it is difficult for those organizations to recruit board members with the right skills and networks.

Keep it Strategic

In the literature review I explained that the strategic role of the board and the direction of board performance and activities toward key stakeholders (*keep it strategic*) are broadly recognized and implemented in practice. While the strategic functions of boards have not been analyzed explicitly in my dissertation, my findings support the view that INGOs and NPOs use boards as a strategic tool and resource.

For instance, INGO boards are in fact used to communicate externally the responsiveness of the organization to legitimacy demands. For example, INGOs in the field of business do recruit more board members with finance and management expertise because that expertise is deemed to be important for the nonprofit sector by the relevant peer groups. In INGOs, the link between strategy and accountability seems to be particularly important because INGOs need to be accountable to a very diverse set of stakeholders and to adapt their strategies toward their needs and expectations while still maintaining their overall mission (L. D. Brown & Moore, 2001).

Keep it Situational

Fourth, my results clearly show that there is no such thing as a one-size-fits-all model for nonprofit governance. The design of governance needs to be kept *situational* (Hilb & Renz, 2009; M. K. Robinson, 2001). As shown in all three papers, an effective design of power constellations between the main governance actors, board nomination modes and stakeholder representation as well as board attributes and board composition heavily depend on a variety of organizational and environmental contingency factors. For example, board nomination modes depend decisively on the role of different stakeholders. Democratic election processes for the board are more important in organizations which generate significant resources through their members (Anheier & Themudo, 2005), whereas organizations which generate a lot of resources through external donors such as foundations and the government need to find ways to represent these stakeholders on the board by nominating them (Davis et al., 1997; Muth & Donaldson, 1998).

In addition, it supports the view that governance models need to vary according to different organizational forms (Hilb, 2008; Hilb & Renz, 2009). Not only does the governance of for-profit firms differ from the governance of NPOs; it also holds for different forms of NPOs: The governance of associations differs from the governance of foundations, the governance of health care institutions differs from the governance of advocacy organizations, etc. Most importantly, my dissertation highlights differences and similarities between NPOs and INGOs. INGOs share many similarities with other types of nonprofit organizations and can indeed be viewed as a subtype of NPOs (Martens, 2002; Salamon et al., 2003; Vakil, 1997). Like NPOs, they are private, self-governing, non-profit distributing, and organized to some extent. However, they also face particular challenges, for example, the multitude of different cultures, regulatory environments and expectations from stakeholders (Anheier & Themudo, 2005; L. D. Brown, 2008a; Lindenberg & Dobel, 1999). One reason for their different challenges is that they do not enjoy international legal personality (Charnovitz, 2006), and, depending on where their headquarters are located, different legal settings and governance codes apply. In addition, many INGOs are organized as federations, with the national chapters constituted under different national laws. For example, the legal requirements for Amnesty Switzerland vary from the legal requirements for Amnesty USA.

In sum, my findings support Hilb's (2008; 2009) reversed KISS principle of keeping NPO governance controlled, integrated, strategic, and situational. My findings also show that the model can be used to understand the governance of INGOs as well, laying the groundwork for a model of *New INGO Governance*. Such a model needs to account for the particular challenges of these organizations, such as for example the high degree of internationalization, the heterogeneity of stakeholders, and the absence of an international legal framework that regulates their activities.

9. Discussion and Conclusions

Based on the literature review, I have identified a research gap which covers three main challenges of nonprofit governance: 1) the power relation between the two main governance actors: the nonprofit board chair and the executive director, 2) board nomination modes and stakeholder representation, and 3) board attributes and board composition. All of these challenges are extremely relevant for practitioners and researchers because the governance of INGOs and NPOs is linked to organizational legitimacy, accountability, and performance (Anheier, 2005; Anheier & Themudo, 2005; L. D. Brown, 2008a; Foreman, 1999). The contributions to practice and research as well as limitations and directions for future research have been addressed in the respective subchapters 5.7, 6.6, and 7.6. In this last chapter, I summarize the most important contributions on a macro-level.

9.1. Contribution to Practice

As outlined above, practitioners working in NPOs or INGOs, particularly board members, are faced with recommendations from various sources on how nonprofit governance should be organized. Pressure to increase governance standards has resulted in governance codes for NPOs and INGOs both nationally and internationally, for example, the Swiss NPO Code and the International Accountability Charter. At the same time, these organizations face serious external challenges: resource scarcity, extremely volatile and challenging environments, a multitude of stakeholders with often diverging interests, and calls for increased professionalization of the sector (Salm, 1999). Accordingly, the Swiss NPO Code states that the

"boards, councils and committees of large NPO-Organisations are at present facing many new challenges due to the ongoing changes in their respective areas of activity along with the increasing complexity and professionalisation within their organisations. Thus there is a growing need for state –of–the art standards on how the responsibilities of these boards, councils and committees should be defined and regulated for the future."

It is important that these recommendations be based on rigorous and practically relevant studies because, as I have shown, there is no one-size-fits-all model for the

governance of NPOs and INGOs. The specific design of governance structures and procedures needs to take into account a variety of internal and external contingency factors. Overall, my dissertation provides four major overall contributions to practice:

The first paper offers a *co-operative power relations model*, which allows for the definition of sustainable power relations between the main governance actors in NPOs and INGOs (see Table 9). This model enables boards of directors to carefully select executive directors and heads of the board: A frequent challenge in these organizations is that the substitution of one governance actor, for example, the executive director, might lead to new conflicts with the head of the board. We find that an effective system of checks and balances is only possible if both actors share equal capabilities, for example, skills, networks and access to resources, and complementary preferences. Preferences may, for example, be complementary if the head of the board is willing to concentrate on the overall strategic direction of the organization while the executive director focuses on the daily operational challenges. In other the words, the board needs to have the same know-how as the executive management team (Hilb & Renz, 2009).

The second overall contribution to practice is that this dissertation provides a comprehensive and differentiated profile of the Swiss INGO sector. This is an essentially valuable resource for practitioners in the field, but also for policy makers as well as small and large donors. Research on nonprofit governance is mainly centered in the USA and the UK. My dissertation combines the literature from the Anglo-Saxon world with the nonprofit literature from Switzerland and Germany and applies it to organizations from a country that has as of yet received little attention from the field. To date only general studies of the third sector in Switzerland exist and a specific profile of the INGO sector was lacking (Helmig et al., 2009; Jakob et al., 2009; Nollert & Budowski, 2009). The dataset which we collected for my dissertation offers a detailed overview of the sector, including organizational data such as age, size, and degree of internationalization, governance data such as board size, board activity, board composition, and compensation for board members, as well as data on external contingency factors such as areas of activity and funding. Further data that have not been used for the papers of this dissertation but will be used for future research include information on board roles and organizational performance.

Thirdly, the paper on board nomination modes and stakeholder representation provides a model for the governance of INGOs (see Figure 1). Such models are still

lacking in the field (Lindenberg & Dobel, 1999). Applying an economic approach based on resource dependency and stakeholder theory, I argue that donors and volunteers are the primary stakeholders of INGOs and should therefore be granted residual rights of control, for example, the right to nominate board members or a seat on the board. Practitioners can use the definition of primary stakeholders in order to identify these stakeholders in their particular organizations and adapt their governance regulations accordingly. At the same time, the model points out the fact that because of changing revenue sources many INGOs face the challenge of applying a board-managed model in which important external donors are represented on the board level while still maintaining democratic governance standards internally, for example, by having a general assembly that votes for board members. The individual definition of the important primary stakeholders will help practitioners to choose their specific models of governance and to overcome this tension.

Lastly, in my research, practitioners will find analytical information on how INGOs are structured and governed from a comparative perspective. The analysis of internal and external conditions and their impact on different aspects of INGO governance allows practitioners to reflect on their own organizations and to conceptualize the challenges they face. They gain experience from other organizations and can deduct inspirations and ideas. For example, the four case studies of the paper on the power relations between board chairs and executive directors examine typical governance challenges of well-known organizations at close range and describe the dynamics from a historical perspective. This dissertation thereby provides important insights for NPOs and INGOs dealing with similar challenges and allows them to identify best practices.

9.2. Contribution to Research

I have outlined the specific contributions to research of the individual papers in the respective subchapters 5.7, 6.6, and 7.6. In this section I present the overall contributions to research.

Generally, an important theoretical contribution of this dissertation is that it applies a holistic framework which integrates both internal and external dynamics and their impact on different aspects of nonprofit governance. As previously highlighted,

this is very much inspired by prior work in the field which has shown that organizational governance is a complex phenomenon involving the personal characteristics of the governance actors, as well as organizational factors and environmental factors shaping the actual behavior and challenges of those actors (Bradshaw, 2009; Hilb, 2008; Hilb & Renz, 2009; Ostrower & Stone, 2009).

This dissertation proposes, in addition to the model of New NPO Governance, actor-centered institutionalism as a theoretical lens that systematically allows for the integration of both internal and external dynamics (Aguilera & Jackson, 2003; Scharpf, 1997). As Aguilera and Jackson (2003) have shown, it can be beneficial to the study of corporate governance and bridge the gap between under-socialized agency theory and over-socialized institutionalism: Agency theory is solely focused on the actors of governance and does not take into account external conditions shaping the options that these actors actually have. As Scharpf explains, actors rely on different capabilities such as, for example, resources, privileged access to information, specific skills, and networks. In addition, they have different preferences shaped by the specific institutional setting within which they interact. On the other hand, a pure observation of these institutions that does not analyze the actors fails to take into account the internal dynamics of governance. I have explained that this theory was developed for comparative policy analysis, drawing upon game-theory and institutionalism. All three papers of this dissertation adopt an integrative viewpoint, and in each of those studies I find that both internal and external dynamics shape governance.

Further, the dissertation sheds light on the governance of INGOs from a comparative, empirical point of view. My research contributes to bridging the gap between research on NPO governance and INGO governance to discover more about these similarities and differences (Lewis, 1998). Several studies have discussed qualitatively different designs for the governance of INGOs (Fowler, 1997; Lindenberg & Bryant, 2001; Young, 1992), but very few quantitative studies are available that provide an empirical overview of the sector and test the hypotheses arising from the qualitative endeavors. The studies identified similar patterns for the governance of NPOs and INGOs but also several important differences: The second and third papers show that the fact that INGOs operate on an international level and have to deal with a particularly large and heterogeneous set of stakeholders holds some important implications for research: It is necessary to analyze the degree of internationalization of INGOs in terms of countries and regions of activity because

they have a large and significant effect on the governance of these organizations. For example, INGOs with a higher degree of internationalization also have boards with a higher degree of internationalization. Another example is that my data does not confirm the impact of internal determinants such as organizational size and age, board size and activity (Andrés-Alonso et al., 2009; Cornforth & Simpson, 2002; Dart et al., 1996; Iecovich, 2005a). While these factors matter for NPOs according to the literature, they do not matter for INGOs which, according to my findings, put more emphasis on board composition as a useful tool to acquire relevant expertise, resources and networks.

Lastly, I have explained that the participation of INGOs in global governance is only regulated and transparent to a small extent which leads to the ongoing debate on whether these organizations are well prepared to play an effective and trustworthy role in global governance (Anderson & Rieff, 2004; Anheier & Hawkes, 2009; L. D. Brown, 2008a; Charnovitz, 2006; Dichter, 1989; Lindenberg & Bryant, 2001). The rules and procedures for the participation of INGOs are quite diffuse. Large INGOs may be registered with international organizations from the United Nations family, for example, the Economic and Social Council or the International Labor Organization, and be involved in their decision-making processes. Many smaller INGOs which are, for example, involved in development projects or advocacy networks find it more difficult to campaign and implement their projects (Keck & Sikkink, 1998; Salm, 1999; Uvin, Jain, & Brown, 2000). Particularly those INGOs which do not have democratic internal structures that would provide the organization with input-oriented legitimacy need to gain output-oriented legitimacy (Keohane & Nye, 2001; Scharpf, 1999), that is, effective and successful programs and activities as well as accountability to their stakeholders. As argued above, my results show that the governance of INGOs is a crucial tool to enhance both the legitimacy and performance of INGOs.

9.3. Limitations and Directions for Further Research

Due to the limited amount of time and resources available, my research has important limitations which can also be regarded as opportunities for future research.

As described earlier, the results of the first paper need to be tested in a wider context to confirm the results. Quantitative studies of a broader set of NPOs are necessary to test whether the identified patterns of co-operative power relations also occur in other organizations. For example, the sample could be expanded to include NPOs that have not replaced their main governance actors and that have not experienced fundamental changes in their governance to test whether these organizations already have a system in place with effective checks and balances where the executive director and the board chair share equal capabilities and complementary preferences. Another important limitation of the study is that it only looks at the head of the board as the counterpart to the executive director. Arguably, the board of directors as a whole is relevant as well: For example, other board members might possess relevant capabilities such as management and finance knowledge that are necessary to effectively monitor the executive director. If the head of the board is capable of using that knowledge, it might not be necessary for him to share equal capabilities with the executive director himself (Murray et al., 1992).

The second and third papers only cover INGOs headquartered in Switzerland. As I have noted, applying my theoretical model to organizations headquartered in other countries as well would yield important insights. Because governance standards and regulations vary significantly between countries (Aguilera & Jackson, 2003; Hilb, 2008), it would be valuable to create a cross-country dataset that includes and compares INGOs from various countries. In general, the questionnaire was designed in such a way that it can be used for INGOs from other countries as well and the theoretical model is also applicable to INGOs from other countries. In fact, all three papers could be used as a point of departure for cross-national studies, both quantitatively and qualitatively. I believe that researchers will find interesting insights for the Swiss context but also a solid and comprehensive set of hypotheses for testing in other contexts. A comparative study of the global INGO sector in terms of governance could, for example, address the tremendously interesting question of why INGOs choose certain countries for their headquarters. A frequently made assumption in the nonprofit field is that INGOs often settle in countries where standards of governance and transparency are low.

Also, my analysis in the second and third papers provides no more than a snapshot of the governance of INGOs in Switzerland, and only longitudinal studies would provide a dynamic picture of how INGOs have gone through processes of

governance changes and stabilization. I believe that this would be one of the most promising areas for future research: Researchers might, for example, want to form clusters from my data to find groups of INGOs with similar governance attributes. They could then interview the heads of the board and CEOs from these organizations to discuss the internal and external challenges they face and how they have reacted to them (Lindenberg & Bryant, 2001; Lindenberg & Dobel, 1999; Salm, 1999).

In addition, my research could be expanded to study the roles and functions of INGO boards. At this stage, the dissertation mainly deals with structural aspects such as board nomination and board composition, but I have not examined the particular roles of the boards. This is an important scientific debate (Bradshaw, 2009; Cornforth, 2001; Hung, 1998; Wright & Millesen, 2008): Some authors mainly assign internal controlling and monitoring roles to the board (Du Bois et al., 2009), whereas others point to broader roles such as resource acquisition (Inglis & Alexander, 1999; Provan et al., 1980), boundary spanning (Harlan & Saidel, 1994; Taylor & Lansley, 2000), the management of peer reputation (Padanyi & Gainer, 2003), and strategy formulation (W. A. Brown & Iverson, 2004; Carver, 1997; Houle, 1997). Depending on the types of roles and functions a board is expected to fulfill, the requirements for board composition will no doubt differ: Boards which mainly fulfill monitoring and controlling roles will need board members with relevant skills and capabilities, whereas functions such as resource acquisition and boundary spanning require access to relevant networks and peer groups.

Lastly, I have argued that the governance of NPOs and INGOs is an important subject of study because of its impact on organizational legitimacy, accountability, and performance (L. D. Brown, 2008a; Foreman, 1999; Gibelman & Gelman, 2001, 2004; Glaeser, 2003). This argument is widely accepted in the nonprofit field and hence served as a justifiable starting point for the dissertation. Nevertheless, I have not tested whether this relationship is also true for the organizations in this dataset. Scholars might want to test, for example, how board nomination modes and stakeholder representation in practice affect accountability and performance and whether there is a tradeoff between these important goals and legitimacy. For example, I have shown that from an economic perspective it is important for INGOs to nominate external donors for the board level because it enhances accountability and performance. On the other hand, democratic elections for the board members by the members of the organization strengthen the self-governance of these organizations and their input-oriented

legitimacy. An empirical analysis of this question would yield highly valuable insights into the management and governance of INGOs and also NPOs.

In sum, I hope and trust that my research will make a vital contribution to practice and research. It is my firm conviction that NPOs and INGOs can enhance their impact and public standing by improving their governance practices. By analyzing challenges in the field and offering practice-oriented recommendations based on these empirical studies, research in the field has the power to help these organizations to achieve their important missions. This has been the enduring motivation for my dissertation.

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Curriculum Vitae

Date of Birth August 30th, 1982 in Höxter, Germany

Nationality German and French

Education

02/2008 – 09/2011 **Doctor of Philosophy in Management (Dr. oec.)**
University of St. Gallen

10/2002 – 08/2007 **M.A. in Political Science, Public Law and Economics**
Ruprecht-Karls-University Heidelberg

08/2004 – 07/2005 **Graduate studies in Economics and Political Science**
Pontificia Universidad Católica de Chile

Work Experience

02/2011 – today **Managing Director**
Executive MBA, University of St.Gallen

02/2008 – 01/2011 **Program Manager**
Executive MBA, University of St.Gallen & Rotman School of Management, University of Toronto

04/2006 – 04/2007 **Erasmus Co-ordinator**
Department of Political Science, University of Heidelberg

Scholarships and Awards

11/2010 **ARNOVA Emerging Scholars Award**
Award for researchers on nonprofit management

11/2009 **ARNOVA Doctoral Student Fellowship**
Award for researchers on nonprofit management

01/2004 – 08/2008 **Friedrich Ebert Foundation Scholarship**
Scholarship for students with outstanding qualifications