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How do boards of not-for-profit organisations make decisions

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Abstract.

This study examines how the boards of not-for-profit organisations make decisions, using the following three research questions: How do boards of not-for-profit organisations make decisions? Does the background of a director affect how they make a decision? How can a board select directors who are less likely to be subject to groupthink?

With the revenue of Australian not-for-profits in 2018 being AUD$155.4 billion (Australian Charities and Not-for-profits Commission, 2020) and employing around 1,081,900 persons or 9.3 per cent of the Australian workforce (McGregor-Lowndes, 2014) it is clear that the effect of poor board decision making in not-for-profit organisations can be costly. Not-for-profit decision making is risky and may not be as effective as it should be with Cordery (2013) describing the sector as having transparency issues and Tolbert et al (2010) claiming that many fail to grasp even the basics of the not-for-profit concept. This study is underpinned by agency, stewardship and resource dependency theory, which in turn inform the findings.

By opening the Black Box (Payne et al, 2009; Coombes et al, 2001; Leblanc & Schwartz 2007; Huse & Zattoni 2008) of the not-for-profit board this study for the first time shows how and why these board decisions are made. With many researchers (Dulewicz & Herbert, 1999; Payne et al, 2009; Tricker, 2015; van Ees et al., 2009) calling for observational studies of boards. First, this study collected the perspectives of individual board members using in depth interviews. Secondly, the study employed direct observation of the decision-making processes at consecutive meetings of a not-for-profit board.

This study found that a formal decision-making process does not seem to be used by not-for-profit boards. The study extended the current knowledge of individual factors that have a bearing upon the group dynamic in relation to not-for-profit boards and their decision-making.

The theoretical contribution includes:

1. New findings at both an individual and board level about how the board as a unit function in relation to decision making.
2. Proposal of a new model for use by boards to improve the quality of not-for-profit board decisions
3. Identification of certain key influences and their impact upon not-for-profit board decisions.

The methodological contribution includes:

1. Use of an observational approach as suggested by governance researchers.
2. Use of qualitative methods including what Samra-Fredericks (2000) describes as "the impossible method" (pp 245) due to its difficulty of implementation.

The practical contribution includes:

1. Knowledge relating to the methods currently employed by not-for-profit boards to make decisions.
2. Details of their varying relationship structures, which impact on not-for-profit board requirements.

A proposed decision-making model is presented for not-for-profit boards to use.

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Chapter one: Introduction to the study

1.1 Rationale for the study

This thesis investigates the methods used by the boards of not-for-profit organisations in order to make decisions. The need for boards of directors to govern/support organisations date back to the early part of the seventeenth century and the creation of the joint stock company (Fall & Pennink, 2008). A joint stock company is an organisation where individuals (stock or shareholders) are able to buy and sell their shares and have their liability limited to the value of the shares held (Lipton, 2009). The joint stock company is the forerunner of today's modern company. It is unclear as to the exact origin of the first joint stock company, but most would agree that the Dutch East India Company, founded in 1600, was one of the earliest (Lipton, 2009). The Dutch East India Company was a group of independent merchants who until this time had conducted their own business with their own vessels at great risk. One major storm would wipe out the entire business. By becoming a part of the company, one vessel may still be lost but profit or a share of it would still be gained from the many other company vessels, so the first shareholders were the predecessors of today's board members (Fall & Pennink, 2008).

As companies began to grow and permit investment from those who did not own their own vessels such shareholders were required to place their trust in those conducting the business (Fall & Pennink, 2008). It is expected that those conducting the business always placed the interests of the shareholders first, but this was not always the case. An example of this issue is the South Sea company, formed in 1711 and grew to a colossal size, value and reputation based upon lies and deceit (Paul, 2015). In 1720 the famous South Sea bubble burst and one of the earliest inquiries into governance and directorship occurred. For the concept of the company to continue, better governance was required from responsible persons who could be held to account (Lipton, 2009). The board of directors to strategically oversee a company was born.

Most significant organisations are now governed by a formally structured board (Mallin, 2013). Boards typically comprise a group of between six and twelve persons

who are responsible, both jointly and separately to oversee corporate governance or how an organisation is run and to see that it is run well (Justice connect, 2019). A board sets the organisation's strategic goals (Australian Institute of Company Directors, 2019). Boards are not a part of management but rather oversee management through the appointment of a Chief Executive Officer (CEO) to run the organisation's executive management on a day to day basis (Tricker, 2015). A well-managed organisation has a good CEO; a well-governed organisation has a good board that adds to the image and credibility of the organisation in the eyes of its stakeholders (Viader & Espina, 2014). The for-profit sector is not alone in its need for better governance with not-for-profit organisations also coming under greater scrutiny. If as reported in Cordery (2013) there is a perception, even if this is incorrect, that the not-for-profit sector has transparency issues, anything that adds to image and credibility will greatly assist such an organisation in its quest for resources. Cordery (2013) describes problems arising from the reporting methods being used by not-for-profits in justifying their existence. With many not-for-profits offering services that are difficult to measure, traditional methods of measuring success may no longer be sufficient. Traditional accounting methods are often used but these quantitative methods do not always demonstrate how a not-for-profit has been accomplishing its often qualitative mission. How important are boards and how important is it for us to understand how boards make decisions? Every day, boards make decisions, some of which are of great importance and impact the lives of many and yet little if anything is known about how such decisions are made or the effect that they have upon the organisations that they govern.

The need for a better understanding of the operation of boards is demonstrated by the lack of basic understanding of boards of not-for-profit organisations highlighted by the study conducted by Tolbert et al (2010). In their study of business people and undergraduate business students, researchers found some worrying trends with on average 27% of respondents not being able to correctly answer all questions on a relatively simple true or false test about not-for-profit organisations. Of even greater concern, the study found 23% incorrectly thought that not-for-profits were not allowed to make a profit and 45% that they did not pay taxes. This aspect is concerning considering some of these respondents may hold not-for-profit board positions at some time in the future. Given that boards are groups of people making

decisions it seems appropriate that the existing body of knowledge relating to the documented problems of group decision making such as groupthink (Robbins et al, 2007) and the past experiences of both individuals and organisations (Amason & Mooney, 1999; Balta et al, 2010, 2013; Kauer et al, 2007; Papenhausen, 2006; Steptoe-Warren, Howat, & Hume, 2011) be further investigated.

This study examines directors and boards of not-for-profit organisations within Australia. Although not-for-profit boards have differences to their for-profit counterparts (Epstein &McFarlan, 201), which are examined later, boards in general are firstly examined as there is considerably more research available on for-profit boards. In order to gain a clear insight into the workings of a not-for-profit board it is first essential to have an understanding of how boards in general function. Once the underpinning knowledge of a board's operation, the history that created it, the pressures placed upon it and the theories at work within it are clear, a more focused perspective can be taken. This grounding or underpinning knowledge is vital for those seeking a greater understanding in relation to boards of not-for-profits, also for those contemplating undertaking a board role in such an organisation as misunderstanding is commonplace (Tolbert et al, 2010).

Generally, not-for-profit organisations aim to make the world a better place to live in and may do this by providing shelter or food to those in need, running sporting activities such as sports clubs or even providing essential emergency services such as firefighting. Not-for-profit organisations may not have turnovers as large as some of their for-profit relatives but they are certainly still significant with the Australian Charities and Not-for-profits Commission (ACNC) estimating the revenue of Australian not-for-profits in 2018 as being AUD$155.4 billion (Australian Charities and Not-for-profits Commission, 2020) and employing around 1,081,900 persons or 9.3 per cent of the Australian workforce (McGregor-Lowndes, 2014). It is clear that the effect of poor board decision making in not-for-profit organisations can have a devastating impact. For example, the Bill and Melinda Gates foundation found itself generating unexpected negative publicity (LA Times, 2007) as a result of a decision to provide massive donations to help reduce the spread of AIDS in sub Saharan Africa. An unforeseen side effect of the donations, which had the positive effect of boosting

HIV treatment and prevention was the reduction in other basic health care services resulting in criticism of the foundation.

The term corporate governance was little known prior to the spectacular corporate collapses of the late twentieth century (Mallin 2013) when they drew attention to the role of corporate governance and the importance of good board decision-making. The Global Financial Crisis of 2007 highlighted for the world that governance of organisations or lack of it could seriously affect ones wealth (Mallin, 2013; Maharaj, 2008; Tricker, 2015). Not-for-profit organisations of this world are not immune to poor corporate governance. The Bill and Melinda Gates foundation and the National Kidney Foundation (NKF) in Singapore are just two examples of not-for-profit governance difficulties (Zhu et al, 2016; LA Times, 2007; Foo, 2005). The Singapore National Kidney Foundation found itself being depicted in a negative way after its CEO was found to have been wasting donations on first class travel, a massive personal salary and other items, most notable, gold taps for his office bathroom (Foo, 2005). This situation should have been avoided by better oversight or governance by the board of directors. Researchers such as Zattoni (2007) found that board decisions decide an organisation's future and with various organisations playing such a major part in our lives it would appear that society does require boards to govern better.

A pivotal role of boards would be to make decisions about the selection and continual monitoring of the Chief Executive Officer (CEO), the person responsible for the day to day running of the operational side of an organisation. Not-for-profits rely upon their boards to hire the correct top management and to set the right strategic direction.

The size of the not-for-profit sector is significant with the Australian charities report 2018, commissioned by the Australian Charities and Not-for-profits Commission (Australian Charities and Not-for-profits Commission, 2020), estimating the sector to have a revenue of AUD$155.4 billion in 2018. Within Australia there are 600,000 such organisations of which 57,000 are classed as economically significant (McGregor-Lowndes, 2014). Society needs a better understanding of the processes and procedures used by boards of not-for-profits to make their decisions. As stated in the introduction, boards do make decisions that affect us all in some form and as

boards are not keen to expose their processes (Samra-Fredericks, 2000), research on-board decision-making processes is limited.

Some researchers (Payne et al, 2009; Coombes et al, 2001) have used the term "black box" to describe the secrecy around such processes and as gaining access to boards has never been easy, most of research into the subject has been completed using historical data that has been analysed by quantitative methods. This study builds upon the knowledge gained by the very few primary studies conducted into boards and adds to the body of knowledge available by using qualitative methods to explain not only how boards make decisions but also why those decisions were made.

Only by understanding how not-for-profit board decisions are made can we hope to ensure the decisions they make, and the processes used by them are adequate. These services may be a response to a massive humanitarian crisis on a continental scale, food and shelter for the homeless of one of our cities or the provision of sporting activities to amuse our children (Ciucescu, 2009). Well run not-for-profit organisations make our world a better place to live.

Organisations do not always behave well and in the interests of their owners and society. The corporate collapses at the end of the last century and the Global Financial Crisis are testament to that failure (Mallin, 2013). Researchers (Raelin and Bondy, 2013) posit that society needs greater representation on boards arguing that regulators such as the Australian Securities and Investments Commission (ASIC) are ineffective and that greater enforcement is required. Nobel Prize winner Milton Friedman (Friedman, 1970), one of the ultimate theorists of monetarism, in a seminal paper, takes a complete opposite view and claims that business is there to make money and not protect society. It is certainly conceivable that the same could be said for not-for-profits and that the greater the surplus generated, the better they are able to achieve their mission. Friedman (1970) goes as far as to say that executives who put efforts into having their companies' supporting society are doing a disservice to their companies and owners and that society and the company would be better served by having such efforts generate greater value, which would in turn have a flow on to society. In a contemporary examination of the problem, Ryan (2017) suggests that the majority of Australian directors now acknowledge that corporations do have a much

wider responsibility to society but that they are unclear as to exactly what that should look like. It seems reasonable that this primary responsibility to the organisation and wider responsibility to society would also extend to the not-for-profit organisation as well as its board members.

1.2 Definitions of boards and governance

The following section provides clarity as to the many definitions found in the world of boards and governance. Many forms of organisation require governance and not all are corporations. Other forms of organisation could be not-for-profit or government departments with many different titles being given to those who govern organisations such as board members or directors (Australian Securities and Investments Commission, 2020; Australian Charities and Not-for-profits Commission, 2019). For the purpose of this study and for the sake of inclusivity the term 'board' will be used to describe any group of individuals that govern an organisation such a board or executive committee and those who serve upon these will be described interchangeably as directors or board members rather than simply as directors in the manner used by Tricker (2015).

It is sometimes difficult to distinguish between a committee and a board but as a guide there are four key obligations of board members of a not-for-profit organisation in Australia (Justice Connect, 2019). These are: a duty to act in good faith and for proper purposes; a duty to act with reasonable care; skill and diligence; a duty not to dishonestly use position or information; and a duty to avoid conflicts of interest. The definition is sourced from Justice Connect – a charitable Australian organisation that seeks to help the not-for-profit sector in legal matters. Justice Connect (2019) states that these legal obligations come from a number of sources, including legislation, common law, the organisation's constitution/rules, and the organisation's policies. The duty to act in good faith and for proper purpose requires board members to act in the best interests of their organisation and in an honest and fair manner. This means that a board member must place the interests of the represented organisation above their own when making board decisions.

The duty to act with reasonable care, skill and diligence means that board members must make decisions about the strategic direction of their organisation and also keep on top of financial affairs. One of the most basic examples of this situation is that board members must ensure their organisation is not trading while insolvent. Insolvency occurs when an organisation is unable to pay its bills as they fall due (Australian Securities and Investments Commission, 2020). The duty to not dishonestly use a position or information applies as board members hold a position of trust within an organisation. Board members have access to confidential information and it is important that this position or information whilst in this position are not used to gain an advantage in some way.

A duty for board members to avoid conflicts of interest exists in both general law and statutory provisions (Australian Government, 2001; Australian Institute of company directors, 2020) as conflicts of interest are common. Having a conflict of interest is not necessarily a breach of duty as long as it is disclosed and managed properly. A conflict of interest arises where a board member finds themselves in a position in which their own interests, or someone else's interests, are at odds with the interests of the organisation, or where the board member may improperly benefit from their position on the board. The Corporations Act 2001 (Australian government, 2001) states that a director must exercise their powers and discharge their duties with a reasonable degree of care and diligence, act in good faith in the best interests of the company or for a proper purpose, not use their position to obtain an advantage for either themselves or a third party, or to cause detriment to the company and not improperly use information gained through their position as a director to obtain an advantage for either themselves or a third party, or to cause detriment to the company.

Many definitions of corporate governance exist. The Organisation for Economic Co-operation and Development (OECD) defined corporate governance in 1999 (cited in Mallin, 2013) as: "a set of relationships between a company's board, its shareholders and other stakeholders and also provides the structure through which the objectives of the company are set and the means of attaining those objectives and monitoring performance are determined" (pp7). Sir Adrian Cadbury in the Cadbury report of 1992, a report commissioned by the United Kingdom government into the state of corporate governance in that country reported corporate governance as being

concerned with maintaining the balance between economic and social goals as well as between individual and communal goals, "the aim is to align as nearly as possible the interests of individuals, corporations and society" (Mallin, 2013. pp7). The definition used by the Australian Stock Exchange (ASX) is "the framework of rules, relationships, systems and processes within and by which authority is exercised and controlled within corporations. It encompasses the mechanisms by which companies, and those in control, are held to account." (Australian Stock Exchange, 2019. No page number).

Another definition and the one adopted for the purpose of this study is provided by the Australian Institute of Company Directors (AICD) in their not-for-profit principles (Australian Institute of Company Directors, 2019) as "Good governance exists where an organisation has systems and processes in place that are appropriate to its circumstances, and which enable the organisation to pursue its purpose effectively and meet its obligations under the law" (pp11)".

This section has clarified certain important terms. Specifically:
1. The term *board* will be used to describe any group of individuals that govern an organisation and those who serve upon these will be described interchangeably as directors or board members.
2. The term *corporate governance* describes organisational systems and processes in place that are appropriate to its circumstances, and which enable the organisation to pursue its purpose effectively and meet its obligations under the law (Australian Institute of Company Directors, 2019).
3. A not-for-profit organisation is one where the proceeds of any activity undertaken are not distributed in any direct or indirect way to the organisation's owners.
4. A not-for-profit board has: a duty to act in good faith and for proper purposes; a duty to act with reasonable care; skill and diligence; a duty not to dishonestly use position or information; and a duty to avoid conflicts of interest (Justice connect, 2019).

1.3 Research questions and objectives

This study of board decision making required focus and to provide this focus, three research questions were developed:

1. How do boards of not-for-profit organisations make decisions?
2. Does the background of a director affect how they make a decision?
3. How can a board select directors who are less likely to be subject to group think?

The first question; how do boards of not-for-profit organisation make decisions, sought to discover the processes, if indeed any processes were used by boards to make their decisions. Exploration of the literature (Dean & Sharfman, 1996; Parayitam & Dooley, 2011; Hang & Wang, 2012; Carpenter & Westphal, 2001; Maharaj (2007); Zhu et al, 2016; Machold & Farquhar, 2013; Daily & Dalton, 2003) revealed that many influences, both internal and external, can affect a board member so the additional two questions: does the background of a director affect how they make a decision; and how can a board select directors who are less likely to be subject to group think, were designed to discover if it is possible to select directors or board members who are better decision makers or at the very least to have a board develop processes and procedures that reduce the risk of these factors influencing the decisions made at the board level.

The following thesis is divided into eight chapters: Chapter one introduces the study and provides an historical perspective as well as providing the rationale for the study and key definitions. Chapter one also provides the research questions and objectives developed. Chapters two and three review the current literature and are divided into various subtopics. Chapter two reviews the current literature as it relates to boards and their known practices with chapter three exploring areas which relate to decision making and boards. Chapter three also provides detail on the development of the propositions that underpin this study.

Chapter four details the research methodology including the methodological choice, techniques and procedures used, and data analysis as well as commentary upon the data quality. Chapter five presents the findings of the semi structured interviews and

presents this information related to each of the research questions. Chapter six presents the findings of the study as it related to the observations of a board following an examination of the board used for this study at both the organisational and board level.

Analysis and discussion of the findings occur in chapter seven which relates the findings of both chapters five and six to the original three research questions and the literature. The study concludes with chapter eight which presents the thesis contribution, the conclusions and recommendations as well as exploring opportunities for future research and implications for managers and policy.

1.4 Chapter one summary

This chapter has introduced the research problem which the thesis seeks to address and described how the need for board members who are able to direct and govern an organisation came from the earliest developments of corporate history dating back to the seventeenth century. Many organisations now have boards to oversee and govern them and these boards make the decisions that affect society at large. If not directly, these boards affect our society and an understanding of how these decisions are made can only improve the quality and the output of the organisations they govern.

Corporate governance only became more commonly used at the end of the twentieth century and that good corporate governance is now demanded by society, not just in the corporate world but the not-for-profit sector as well. Society has taken three hundred years to achieve its current understanding and level of governance. There is still some way to go.

Chapter two: Literature review: Boards, an overview

2.1 Chapter two introduction

This chapter reviews the existing literature relating to this subject in order to identify what is already known, to uncover the relevant theories that underpin the study and to contextualise the findings. The volume of literature relating to both boards and decision making is substantial. In order to focus this review, literature about not-for-profit boards have been prioritised. Material was sought from both online and hard copy with searches being conducted online as well as in physical libraries. Search criteria were entered into the University's data bases and selection of the criteria used are shown in figure 1.

Figure 1. Search criteria

(Source: author's own work)

Not-for-profit boards	Boards in general	Board variations	Board decision making	Decision making	Existing theories
Not-for-profit	Governance	Board legislation	Board planning	Decision making	Board theory
Not-for-profit boards diversity	Board diversity	International governance	Board strategy	Board decision making	Resource dependency
Not-for-profit governance	Board structure	International board variations	Not-for-profit board decision making	Naturalistic decision making	Stewardship theory
Not-for-profit board structure	Board effectiveness	Governance legislation	Informal board decision making	Rational decision making	Agency theory
Non-profit boards	Board roles and responsibilities	Differences between types of board	Board decision making	Interactive decision making	Governance theory
Third sector boards	Corporate governance	Two tier boards	Out of session board decisions	Strategic decision making	Theory of the firm
Not-for-profit board positions	Global financial crisis	Types of board	Board strategic decision making	Conflict in decision making	Board interaction
Not-for-profit board members	Board diversity	Types of directors	Board decision making methods	Group decision making	Reaction to authority

Due to the limited availability of studies specifically relating to the not-for-profit sector, the inclusion of literature which pertains to for profit boards and decision making in general to some degree has been a necessity. This inclusion of information from the for profit sector is also required due to a certain amount of overlap such as evidenced in the case of the study by Parker (2008) who reported that not-for-profit directors showed "signs of absorbing the commercial language and concerns of the corporate sector" (pp 85). To provide essential background, information that relates to

the need for and purpose of boards of governance is explored first along with the variations between for profit and not-for-profit boards. The second part of this review explores the literature as it relates to decision making and explores how this may be applied to not-for-profit boards. This study expands the existing knowledge relating to boards by using qualitative methods to explain not only how boards make decisions but also why those decisions were made. The review also provides a framework from which to view the findings of the fieldwork stages of this study.

This review informs according to the current public perception and legislative requirements of boards and how these may affect decisions made by the directors of boards as a result. It also informs the contemporary state of research in relation to board decision making and the methods by which decision-making is carried out. The review begins with a background overview of the history, need, successes and failures of boards and then examines decision making as it relates not only to the board but also the individual directors.

A deeper understanding of how boards work is sought by Finegold et al (2007) who suggest longitudinal studies as the way to observe the behaviour of boards as they develop over time. Although researchers agree that difficulty in gaining access to boards is the cause of the lack of literature relating to board processes, Wan & Ong (2005) also join the call for observational based board research, arguing that in relation to good governance the board processes appear to be more important than the board structure. The majority of research into boards has been historical, using board minutes and other documentation, with the result that many authors (Dulewicz & Herbert, 1999; Payne et al, 2009; Tricker, 2015; van Ees et al., 2009) called for more research to be conducted on the practice of boards rather than the re-analysis of historical data. There is a clear methodological gap in extant research, which this study seeks to fill.

Defining the disciplinary boundaries for this study was challenging. At the commencement, the plan was to concentrate only on the existing literature as it related to not-for-profit boards and how they made decisions. However, it soon became apparent that a certain overlap into for profit boards and the wider decision-making field would be required. This requirement to explore the wider literature was a due to

the lack of research that has been conducted into the area of not-for-profit boards and that even less has been conducted into their decision-making practices. Deviation from the primary disciplines of not-for-profit boards and board decision making were also required in order to provide a pre-requisite level of underpinning knowledge in relation to the operation of boards and required exploration of the broader topic of governance as well as how boards are comprised and operate.

2.2 Theoretical framework

This study will be informed by the three main theories that relate to governance and will commence with a review of these. By far the most predominant theory relating to boards is agency theory but two other common theories are also relevant with agency and stewardship theory being juxtaposed (Tricker, 2015) as well as those of agency and resource dependency theory (Payne, Benson, & Finegold, 2009). The concepts of both stewardship and resource dependency theories contrast strongly with that of agency theory. Agency theory suggests that executives cannot be trusted to put the interests of the owner above the interests of themselves and stewardship theory suggests that the very reason for the great success of the joint stock company is that directors are able to protect the interests of distant owners. Mallin (2013) suggests the origin of agency theory is separation of ownership and control and that this was first noted in the eighteenth century. There is no reason or evidence to suggest that these theories, whilst most commonly applied to for profit organisations would not be just as relevant to the not-for-profit sector. In the later chapters of this thesis where the study explores the results of the field research achieved by interview and observation, the findings will be analysed through these three theoretical lenses.

2.3 Dominant theories of boards

The three main theories that are taken to relate to boards and their relationships with the organisation, its executives or its stakeholders are usually described (Viader & Espina, 2014) as being those of agency theory, stewardship theory and resource dependency theory. Far from complementing each other, each theory seems to almost contradict the other although each also seems to be very relevant. Each of these theories will now be explored in turn as an understanding of the current theories provides a solid underpinning for interpretation of the rest of this study. The notion

that more than one theory is at work simultaneously has its supporters (Donaldson, 2008; Ghoshal, 2005) in the form of contingency theory that assumes the role of the agent will be replaced by that of the steward, contingent upon the needs of the organisation at the time.

2.4 Agency theory

Agency theory is a standalone theory that assumes that individuals pursue their own goals through opportunistic means (Adams, 1994; Jensen & Meckling, 1976; Vallejo-Martos & Puentes-Poyatos, 2014) and positions managers and owners as adversaries (Raelin & Bondy, 2013). The role of manager and owner do not always align as Fama and Jensen (1983) claim that conflict will always exist between managers who they describe as agents and owners who are described as principals. Agency theory (Droege & Spiller, 2009) assumes:

- Agency theory focuses upon the principal/agent relationship
- The principal and agent both act in their own best interests
- The goals of the principal and the agent do not align
- Not all information is available to both parties simultaneously
- The principal and agent each possess differing information
- The principal is risk neutral; the agent is risk averse
- An agent only exerts enough effort to gain reward and that information can be known and purchased.

In other words, those who have the knowledge have the power and will use it to further their own ends. Although agency theory is the driver behind many of the management processes that exist today there are times when one or more of the assumptions of agency theory are missing and during these times applying agency techniques may prove counterproductive. If, for example, the principal and agent's goals and interests did align then other concepts such as stewardship theory, described below may work better (Droege & Spiller, 2009). An example of theory misalignment could involve a case of a diligent manager working hard to further the goals of the principals having restraints placed upon them that make them feel untrusted.

Agency theory is the dominant paradigm of governance research (Raelin & Bondy, 2013) and is propelled by a huge body of research (for example Davis, Schoorman, & Donaldson, 1997; Adams, 1994; Mustapha and Ahmad, 2011; Fama and Jensen, 1983; Branson, 2007; Droege and Spiller, 2009; Bryant and Davis, 2011; Schulze et al, 2001; Hiebl, 2013; Band, 1992; Baeten et al, 2011). Some researchers however (Tricker, 2015; Zhue et al, 2016) advise that the methods of historical research that have formed the backbone of studies into boards lend themselves to the promotion of agency theory in particular and may account for this dominant position.

Most studies relating to agency theory have been undertaken at the organisational level due to accessibility problems but if access can be gained to the board or to individual directors and studies undertaken at the emotional level, a better understanding of how politics, power and the various theories affect boards may be achieved (Tricker, 2015). In an unusual look at agency theory, Raelin & Bondy (2013), in their paper relating to for profit boards, suggest that the theory, whilst giving protection to principals may actually damage society as good governance can be seen in its most simplistic form as making profit for principals. In what appears to be a complete polarisation of the paradigm, Raelin & Bondy (2013) recommend that representatives of society are placed into positions to represent society on oversight boards to monitor and sanction if necessary. The implications of such a philosophy are far reaching and whilst in relation to a not-for-profit benefits bay be possible, in relation to a for profit organisation the suggestion probes the very foundations upon which private ownership of an organisation is based.

Whilst agency costs can be decreased by aligning the interests of principal and agent with executive equity, there is the potential cost of how the executive is seen to value this equity. Possibly even more importantly is the potential cost that executive or non-executive director payment by equity has upon that directors independence (Daily & Dalton, 2003). To reduce the negative effects of agency theory, principals need to either increase incentive payments made to agents to better align their interests or increase the level of monitoring, control and oversight (Bryant & Davis, 2012). In the case of not-for-profit boards it is interesting to note that Pearce (1983) distances the behaviour of volunteer directors to the coercive powers of others as generally they are less dependent upon rewards from the organisation as opposed to the for profit

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counterparts. This being the case it is possible that the volunteer director is less prone to the effects of agency theory.

2.5 Stewardship theory

If agency theory claims that the principal and agent have unaligned goals that cause the agent to follow their own self-interests and necessitate controls and supervision, then stewardship theory presents a contrasting view (Davis et al, 1997). The majority of checks and balances put in place by organisations are undertaken to account for the agency costs associated with this theory. Stewardship theory however, suggests that if the same core values are shared by both principal and agent, a sense of internal responsibility towards the principal is created (Dicke, 2002) and suggests that such controls are no longer required. Stewardship theory suggests that the application of checks and balances as suggested by agency theory will destroy the trust that is required for one to be a steward (Baeten, Balkin, & Van den Berghe, 2011). The importance of this alignment of values between the organisation of its managers is echoed by some researchers (Kuppelwieser, 2011; Vallejo-Martos & Puentes-Poyatos, 2014) with Kuppelwieser (2011) concluding that people may behave better if such alignment exists, thus reducing the need for close supervision.

Some researchers suggest that the situation is not as clear cut as a choice between one theory and another and suggest that differing theories may come to play when influenced by certain variables (Baeten et al, 2013; Band, 1992). These variables could include the manner in which agents are treated by principals (Davis et al, 1997), which aligns with the findings that the use of power by the principal is a variable that could cause an agent to perform in accordance with one theory or another (Vallejo-Martos & Puentes-Poyatos, 2014).

Use of personal power, power relating to the principal's personal characteristics, will lead towards a stewardship / principal type relationship and the use of institutional power, that which is derived from the principal's position of power will lead towards a principal / agent relationship (Vallejo-Martos & Puentes-Poyatos, 2014). The family business seems more likely to foster a stewardship / principal relationship (Vallejo-Martos & Puentes-Poyatos, 2014; Vallejo, 2009) and this may be due to the affective

component of commitment where non-family members feel a sense of attachment and fondness to the family which results in not only better financial performance but better ethical performance as well (Vallejo, 2009).

The affective component of commitment described by Vallejo (2009) is known to exist within the not-for-profit sector (Aeschbacher & Addor, 2019; Sabella et al, 2016) and would suggest that staff working within that sector could be less prone to agency affects. Alignment of values between the organisation and any prospective board member should result in recruitment of board members who will demonstrate good organisational stewardship qualities (Vallejo-Martos & Puentes-Poyatos, 2014). This alignment of values is described by Van Puyvelde et al (2012) as one of the two, which can better align the interests of the principal's, in the case of the not-for-profit these being stakeholders as discussed previously with those of the organisation. The second recommendation from their paper, although probably not directly related to boards is use of some form of "payment for performance" (pp. 443).

Chain of command, a term that describes the flow of authority that is normally depicted in an organisational chart (Samson and Daft, 2009) like any other system of delegation of authority, be it in a for profit or not-for-profit organisation will always have errors and be subject to occasional breakdowns. Stewardship theory suggests that having intrinsically motivated staff will limit any negative effect of errors in these supervisory systems (Dicke, 2002). The checks and balances put in place by management systems to account for agency costs will probably remain (Kuppelwieser, 2011) but it is clear that if an organisation can recruit, create and retain stewards, the organisation will have intrinsically motivated staff who need less reliance upon supervision (Dicke, 2002).

2.6 Resource dependency theory

If agency theory and / or stewardship theory are related to administration and oversight of the organisation, then resource dependency theory is related to boundary spanning and environmental linking (Bryant & Davis, 2012; Salancik & Pfeffer, 1977) another important function of any board. The base assumption of resource dependency theory is that an organisation is dependent upon outside actors who are able to deliver critical resources that are required by the organisation to reduce

uncertainty in meeting the organisation's strategic goals (Baeten et al, 2011). Hillman et al (2008), whilst broadly supporting the theory, acknowledge that the level of support provided to an organisation by a board member will be related to how that board member perceives themselves in relation to the organisation. The board members' perception is created by their past and that their past will to some degree determine their future. This logic is supported by the notion that skills and experience of the board are equal to the sum of the experiences and knowledge of the individual board members (Hillman et al, 2008).

According to resource dependency theory, a board will select directors based upon its current or future needs (Simmons, 2012). This strategic element has been identified in relation to not-for-profit boards (Coombes et al, 2011) although this study did not examine multiple industry sectors which is seen as a limiting factor of this study as boards of for profit, not-for-profit, public, private and government organisations may have very different processes and procedures. The needs of the board in relation to management oversight are normally best provided by inside directors who will have the greatest working knowledge of the organisation according to Dulewicz and Herbert (1999). These authors also suggest that governance oversight needs are best provided by independent directors with no link to the organisation. The resources required by a board can very broadly be broken down into business experts, support specialists and community influencers (Bryant, 2012). These resources can be provided by existing board members but will commonly be sought from outside if gaps are present in the board skills matrix (Simmons, 2012). A board skills matrix is a document that lists the skills and qualifications required of a board compared to the skills and qualifications held by current board members. It is possible that having organisations select directors based upon the external resources that the organisation requires will reduce uncertainty, one of the assumptions of agency theory (Simmons, 2012).

This section has presented how the three main theories of governance apply in general but the theories can be expected to have an underpinning effect upon this study and affect how not-for-profit boards make decisions. As discussed, no single theory can be seen as the only theory and whilst with the for profit boards agency theory is accepted as being dominant, removal of the cash payments as in the case of most not-for-profits

and, as other drivers begin to influence, the other theories will come into play (Band, 1992; Bryant & Davis, 2012; Simmons, 2012; Pearce (1983). Research (Aeschbacher & Addor, 2019; Sabella et al, 2016; Vallejo-Martos & Puentes-Poyatos, 2014) suggests that not-for-profit staff tend to be motivated by values other than monetary. If alternative motivators cause greater alignment of values between the organisation and its managers as suggested (Kuppelwieser, 2011; Vallejo-Martos & Puentes-Poyatos, 2014) it is proposed that the not-for-profit sector will trend more towards a stewardship / principal relationship (Vallejo-Martos & Puentes-Poyatos, 2014; Vallejo, 2009). This trend is likely to occur due to the affective component of commitment which results in not only better financial performance but better ethical performance as well (Vallejo, 2009).

With the limited financial resources that most not-for-profits are forced to contend with, it can be expected that organisations will select directors based upon the external resources that the organisation requires and to which certain directors are able to give access (Simmons, 2012; Coombes et al, 2011). This ability to attract external resources is vital to the long term survival of the not-for-profit with this ability being directly linked to the need for not-for-profits to provide better reporting and have better governance (Roslan et al, 2017).

The three theories: agency, stewardship and resource dependency all underpin this study. All three theories have been identified during this review which could be considered contradictory; however, it also shows that they are not mutually exclusive. Agency theory clearly requires boundaries to be placed around certain board roles and processes such as delegation of authority and payment of board expenses. Payments made to any board member within Western Australian are required by legislation to be approved by the full board (Government of Western Australia, 2015).

Johnson, Ellstrand, & Daily (1996) suggest that directors be chosen for a particular role such as governance (agency theory), service (stewardship) or access to critical resources (resources dependency theory). Mori & Charles (2018) in their observational study of the board of a family owned business found evidence that agency theory was less relevant in situations of high levels of interdependence such as a family business. Although beyond the scope of this study, the findings suggest that

there may be other contraindications to agency theory and if the not-for-profit sector can also be found to contain them, may also be better suited to lower levels of board control.

Whilst all three theories have their supporters and all seem logical it would appear that they are not mutually exclusive (Band, 1992; Bryant & Davis, 2012; Simmons, 2012). No single theory can be seen as the sole theory relating to governance and whilst in many situations' agency theory is relevant, as other drivers begin to influence, then other theories will come into play. Having explored the dominant overarching theories that relate to boards this review now explores the literature relating to the need for boards as well as a detailed examination of how they operate.

2.7 Boards and governance: a rationale

As the world evolves, organisations and how they are managed and controlled evolve as well. In the field of corporate governance there have been two significant milestones in recent history that should be borne in mind whilst reading this review as each has had a significant effect upon the literature. The first milestone relates to the series of corporate collapses of the late twentieth century (Mallin, 2013) and the second the global financial crisis and the multiple corporate collapses that occurred at the start of the twenty first century (Maharaj, 2008; Tricker, 2015). Both the corporate world and its regulators can be slow to learn lessons from the past (Crotty, 2009). Good governance is hard to define or even observe when all is going well in an organisation but it is obvious when it is not (Kumar & Singh, 2013).

Boards exist to provide governance to organisations (Mallin, 2013) but many board chairs see the board existing to provide much more, such as strategic direction and assurance of compliance (Dulewicz & Herbert, 1999). The need for boards of governance began in the late 17th or early 18th centuries as a direct result of the increase in separation of ownership caused by public investment in companies (Tricker, 2015). As separation of ownership increased, a phenomenon necessary for companies to evolve from the family business into the joint stock company of today, so did the risk that investors were being exposed to by lack of direct control over the organisation (Fama & Jensen, 1983). In most countries' directors will have a fiduciary

duty. A fiduciary duty means that all board members are responsible both jointly and separately for the actions or inactions of each other so to some extent all need at least a basic understanding across all areas of governance (Australian Institute of Company Directors, 2019).

Boards predominantly fall into two main groups: for profit and not-for-profit. The primary difference between not-for-profit and for profit boards is that a for profit organisation distributes its profits and the not-for-profit does not but rather reinvests them to aid its mission goal (Bai, 2013). Many other small variations in structure and behaviour exist with Epstein & McFarlan (2011) describing the use of financial metrics vs. non-financial, mission metrics and variations in the chair/CEO relationship as common but not defining differences. The Institute of Community Directors Australia (ICDA) go further listing questions of ownership, differences in legal process and pressures faced (ICDA, 2019), however the primary significant variation is the treatment of surplus funds or profit.

An interesting variation of international boards is highlighted by Bai (2013) who, amongst the essential activities of not-for-profit board members in North America, list fundraising, an activity that this study was not able to find any reference to in relation to Australian board members. In any study of governance boards such as this, it is vital to appreciate the vast international variation of requirements and to understand that convergence of these is unlikely to occur (Mallin, 2013). In the example given by Bai (2013) we see both the international variation described by Mallin (2013) and the variation of levels of relevance of theories such as resource dependency theory (Simmons, 2012). It is clear that an organisation requires good governance but this alone is insufficient, an organisation needs to perform and be seen by its investors as performing in order to succeed.

2.9 Performance measurement

Performance is important to any organisation. In the for-profit world increased performance relates to increased shareholder return. Performance in the not-for-profit sector is of equal importance as no one wishes to fund an underperforming not-for-profit. Cordery (2013) reports that there is a perception that the not-for-profit sector has transparency issues. The issues reported stem from use of incorrect metrics.

Cordery (2013) describe problems arising from the use of accounting methods which are often used. These quantitative methods do not always demonstrate well how a not-for-profit has been accomplishing its often-qualitative mission. To compound matters not-for-profits often use metrics that are easy to report rather than deliver the best picture of the organisation's actual performance (Cordery, 2013; Glow et al, 2018). Whilst it is possible to place a monetary value upon certain aspects of not-for-profit performance, such as the number of volunteer hours worked (Cordery, 2013), there are attempts to bring qualitative measures such as the Social Return On Investment (SROI) into the world of the balance sheet (King, 2014). SROI is a method used to demonstrate the impact or change that an organisation has achieved within its target area of operation. Although a step in the right direction, SROI does have its draw backs such as the requirement for the reader to digest the entire report in order to make an informed judgement upon it (Klemela, 2016). It is clear that in order to generate funding, not-for-profit organisations need to be transparent and demonstrate that the funds are being well used.

2.8 Stakeholder investment principles

Without investors, organisations, be they for profit or not cannot perpetuate. Corporations can be referred to as public or private. Public companies are those that members of the public or institutional investors are able to invest in and would normally be listed upon a stock exchange (a listed company) where shares of that company can be traded. Public companies may also be classed as unlisted (an unlisted company is one that is not listed upon a stock exchange); however, this would be unusual as it would restrict the company's ability to have its shares publicly traded (Corporate Finance Institute, 2019). A private company is one that is not listed upon a stock exchange and one in which purchase of shares is restricted as would be the case in a family business (Corporate Finance Institute, 2019). A not-for-profit organisation is neither a public or private company and indeed in most jurisdictions is not required to be a company at all (Australian Charities and Not-for-profits Commission, 2019) and seeks investment from its stakeholders in the form of donations.

The growth in recent years in popularity of large superannuation funds has led to a corresponding growth in the size of the institutional investor and the corresponding

power that goes hand in hand with investors of this size. A new concept is that of the Hermes principles (Mallin, 2013). Hermes is a large UK institutional investment fund that now publishes the standards for corporate governance it requires of any organisation that Hermes plans to invest in. The Hermes principle serves to reduce the effect of agency theory by addressing one of its causes, ownership separation theory. With as much as 50% of U.S. corporate equity estimated to now be held by large institutional investors (Daily et al, 2003) this is a phenomenon that may become more common as institutional investors start to examine more closely the organisation from an owner's perspective (Daily et al, 2003). Whilst not-for-profit organisations do not have owners or shareholders in the manner described in the for-profit arena, they certainly do have stakeholders who could be donors or providers of grants. It is likely that not-for-profit stakeholders are just as likely as institutional investors to avoid funding of organisations with poor transparency or worse still demonstrated lack of good governance.

If a board is being required to spend more and more of its time ensuring compliance it will be able to devote less to corporate strategy (Dulewicz & Herbert, 1999) something that is unlikely to have a positive effect upon company value. Care needs to be taken by firms who embrace the idea of the non-executive director that by increasing their number upon a board at the cost of reducing knowledgeable executives, compliance may come with a cost of poor firm performance (Finegold et al, 2007). The effects that the non-executive director may have upon an organisation is explored in greater detail in section 2.12 of this review.

2.10 Types of board

Boards are found in both for profit or not-for-profit organisations and whilst there are clear differences between the missions of the two types of organisations there are also similarities between the types of board and their members. The missions of the different organisations are one of the major differences. The most usual goal of a for profit organisations is to make a financial profit but not-for-profits often have a non-financial or qualitative rather than quantitative goal (Bai, 2013; Cordery & Sinclair, 2013). By definition a not-for-profit organisation must have a goal other than to make a profit (Australian Charities and Not-for-profits Commission, 2019) and this could be

to provide a benefit to the community or a section of it such as the provision of sporting activities, shelter for the homeless or meals for the hungry. Not-for-profit organisations are not always small and can be multinational multimillion-dollar organisations. They vary substantially in size from small community organisations to large multi-nationals such as the International Red Cross or the Save the Children Fund. The Australian Charities and Not-for-profits Commission (ACNC) advises that the assets and income of the organisation may only be used to further the organisation's objectives and goes on to emphasise that no portion of income or asset may be distributed directly or indirectly to the members of the organisation. An exception to this rule is for genuine compensation for services rendered or expenses incurred on behalf of the organisation (Australian Charities and Not-for-profits Commission, 2019).

In addition, the board members of for-profit organisations tend to be paid whereas those of not-for-profit are often, but not always, voluntary. The ability of a not-for-profit to be able to remunerate board members will vary from one organisation to another but will generally be explicit within the organisation's constitution (Justice connect, 2019). In their 2018 board survey report (Association's forum, 2018) the forum reported that 14.89% of the 250 not-for-profit organisations that responded to the survey reported paying directors' fees in addition to any reimbursement for expenses. This figure is further supported by a Commonwealth Bank of Australia study completed by the Australian Institute of Company Directors (AICD) who claim a figure of 16% (Commonwealth Bank of Australia, 2017). Boards of not-for-profits are normally all non-executive directors whereas for profit boards can be all executive and in the case of small companies only consist of a single executive director (Australian government, 2001).

Not-for-profit boards tend to be larger than those in the for-profit sector, however as a for profit organisation becomes larger the difference in typical board size reduces. The Australian Institute of Company Directors (AICD, 2019) lists average board sizes as: small not-for-profit - 5 to 8 directors, large not-for-profit - 8 to 12 directors, proprietary company - 1 to 4 directors, listed company - 4 to 8 directors and publicly listed companies as 8 to 12 directors.

In one study, one of the very few to compare for profit and not-for-profit boards (Zhu et al, 2016), it was discovered that strategic decisions were treated differently by the two types of board with the for-profit board being better able to incorporate strategic discussions into a general board meeting whereas the not-for-profit was not. Many smaller organisations choose to operate without a board and examples of this would be a company with a structure such as a sole trader, a partnership or a private company. Organisations may be governed and managed by their owners but many see, and in some cases are required by legislation to provide a board to oversee governance (ACNC, 2019). The Institute of Directors New Zealand (IODNZ, 2019) describe a board as:

- Being appointed by shareholders
- Managing, directing and supervising the company
- Being liable for their actions
- Being able to direct management
- Having the ability to pass company resolutions
- Being required legally to act in the best interests of the company
- Being ultimately responsible for the success of the company

Boards with good corporate governance provide a safeguard to the owners of an organisation such as the shareholders in the case of a public or private company or stakeholders in the case of a not-for-profit organisation (Epstein & McFarlan, 2011; Mustapha & Ahmad, 2011). Epstein & McFarlan (2011) note that both types of board have the following commonalities: they can grow, transform, merge or die; both need good management and leadership; both need good planning, budgeting and performance measurement. Both also face challenges integrating subject matter experts into a generalist framework and both add value to society. Figure 2 summarises the key variations between the two types of board.

One study (Viader & Espina, 2014) discovered that, albeit with a small study sample, that 52% of the not-for-profit organisations studied had predominant agency theory practices, 26% had governance practices predominantly associated with resource dependency theory and only two% had predominantly stewardship theory practices. This is a surprising result given the likely alignment of the non-for-profit staff to the

stewardship framework. These results show that 80 percent of the responding not-for-profit organisations utilise governance models which appear to be directly related to the major for-profit governance theories. In summary, although there are often many small variations between the two types of board, there are many commonalities, and boards from each sector could do well to learn from each other.

Figure 2. Common differences between for profit and not-for-profit boards

(Source: author's own work)

Typical for-Profit Board	Typical Not-for-profit Board	Source
Boards are often smaller	Boards are often larger	AICD, 2019
Most board members are executive	Often all board members are non-executive	Tricker, 2015
Board represents owners	Board represents stakeholders	ICDA, 2019
Joint CEO/Chair is not uncommon	Separate CEO and Chair roles	Mallin, 2013
Narrow range of stakeholders	Wider range of stakeholders	Zhu et al, 2016
Profit driven	Mission driven	Bai, 2013
Directors more organisation/sector knowledge	Directors less organisation/sector knowledge	Zhu et al, 2016
Strategic discussion best in regular meeting	Strategic discussion best in dedicated meeting	Zhu et al, 2016
Usually, paid roles	Usually, voluntary roles	Justice connect, 2019
Sales pressures	Funding pressures	ICDA, 2019

2.11 Legislation and boards

The degree and type of regulation upon boards varies according to different legal systems and also between for profit and not-for-profit sectors (Australian Charities and Not-for-profits Commission, 2019; Australian Taxation Office, 2019). Common law legal systems such as those found within the UK, U.S. and Australia are less prescriptive than those of the civil law systems of many European nations (Mallin, 2013). Even between the common law nations some, like the U.S., are moving more towards mandating governance requirements by legislation such as the Sarbanes Oxley Act (SOX) (Mallin, 2013), which place certain corporate governance requirements upon individuals within a corporation as well as prescribing penalties for noncompliance. The UK and Australia as well as most of the other commonwealth countries are still, for the time being, preferring to offer guidelines (Mallin, 2013) where the company will have to explain if not, why not in the case of noncompliance rather than legislation.

The lessons learnt from the late twentieth century were short lived and the GFC of 2008 saw many more corporate collapses on a massive worldwide scale (Kumar & Singh, 2013). Many governments now saw the need to update governance legislation. Boards in the United States are now required to comply with prescriptive laws that control their governance (Mallin, 2013). Prescriptive laws such as Sarbanes Oxley Act (Mallin, 2013) in the U.S. and the prescriptive requirements placed upon individuals within a corporation are not seen by all as beneficial with those within the community. Some researchers take the view that many corporations have the directors only to ratify strategic decisions that have been made by management (Maharaj, 2008). Furthermore, if the notion that prescriptive rules can increase agency theory behaviours in the individual (Baeten et al, 2011) it may be the case that this could be extrapolated to the corporation. Indeed if we wish to have managers who act as stewards of corporations (Dicke, 2002), why would we not want corporations to act as stewards.

Throughout the United Kingdom and most of the Commonwealth countries, corporations, including Australian corporations tend to follow a voluntary, "if not, why not" code (Tricker, 2015), which seems to align well with stewardship theory. An "if not, why not" code demonstrates the standard required without imposing legislation to enforce if an organisation is able to demonstrate a good reason why they did not comply, thus reducing the legislative burden upon both organisations and regulators. Time will tell if this reduction the legislative burden imposed upon corporations will, as it has been suggested in the case of the individual (Baeten et al, 2011), result in a corresponding increase in corporate stewardship, which in turn may result in greater benefits to society.

In many Western countries such as the United States, UK and Australia, regulatory bodies such as the New York (NYSE), London (LSE) or Australian (ASX) stock exchanges require boards of corporations to self-evaluate (Bai, 2013; Mallin, 2013). In the UK it is recommended that boards take steps to evaluate their performance as whole and as individual directors and recommend that every three years an external audit of larger companies is facilitated. Whilst in Australia it is not an explicit regulatory requirement for the board of a not-for-profit organisation, some form of self-assessment seems a prudent step for any board wishing to achieve continuous

improvement (AICD, 2019) and is also recommended by the Associations Forum (2018). Good governance offers a degree of protection to the owners of an organisation and Kuprionis (2011) contends that the better a company is governed the better the company will prosper. It is, however, interesting to note that good governance, whilst clearly helping to restore investor confidence in the corporate sector, has also been found by Finegold, Benson, & Hecht (2007), in their review of 105 studies of U.S. corporations, to have little if any evidence to support this relationship between good governance and good organisational performance. Good governance and good performance are clearly not the same thing and directors with the skills and experience required for each are essential for an organisation's success.

2.12 Types of directors

Members of boards fall into one of the following categories: executive directors or non-executive, otherwise known as independent directors (Tricker, 2015). An executive director is one who has input into the day to day running or management of the organisation. The executive director can be expected to have a good understanding of the workings of the organisation (Zhu et al, 2016).

A non-executive or independent director has no input into the running of the organisation at an executive or senior management level and is generally more concerned with governance and strategic planning (Dulewicz & Herbert, 1999) than management (Mallin, 2013; Tricker, 2015). They may, however, lack the expertise relating to the organisation that is demonstrated by their executive counterpart. Due to the need for both good governance and good knowledge of the business, many regulatory bodies such as the New York stock exchange (NYSE) recommend a balance of the two types of director (Tricker, 2015). The non-executive or independent director has little if any direct involvement with the organisation (Tricker, 2015) other than their board involvement.

Following several major corporate collapses of the late 1990s such as Barings bank, Enron, Parmalat, Satyam and the Royal Bank of Scotland, many countries began to realise that the corporate governance culture of their corporations was possibly adding to the risk taking and chance of collapse (Mallin, 2013). By having directors with

vested interests in short term goals, such as the share price in return for huge salaries (Tricker, 2015; Kumar & Singh, 2013), the directors had little incentive to invest in the long term future of their organisation. In the United States at this time there were calls from bodies including the National Association of Corporate Directors (NACD) and the U.S. congress that boards comprise a majority of independent directors (Pandya & Bathala, 2013; Tricker, 2015) and these calls were soon followed by new listing requirements by stock exchanges forcing the boards of publicly listed U.S. companies to comprise a majority of independent directors (Pandya & Bathala, 2013). Corporate governance slowly started to become required for organisations other than corporations with many charities, not-for-profits and even clubs starting to require better corporate governance (Tricker, 2015).

The design of boards vary slightly around the world with some Western countries such as Australia, New Zealand, the United States and United Kingdom using unitary boards (Tricker, 2015). A unitary board is a single board responsible for management and strategic oversight and governance of the organisation. Unitary board membership may comprise either executive or non-executive members. It is possible to have a board made up of solely executive or solely non-executive members. It is not uncommon to find smaller, unlisted private companies boards made up completely of executive directors and not-for-profit boards completely of non-executive members (Tricker, 2015). Larger, listed public corporations tend to have a mix of both executive and non-executive in order to balance the expertise in running the corporation (Zhu et al, 2016) offered by the executive director with the governance advantages (Tricker, 2015) of the nonexecutive. In certain countries a two tier system is used (Mallin, 2013; Tricker, 2015) comprising and management board and supervisory board and details of these will be addressed in a later section.

It is worthy of note that Pandya & Bathala (2013) in their quantitative study found no measurable difference in financial performance between U.S. companies whose board comprised a majority of independent directors to companies who, pre the Sarbanes-Oxley Act of 2002 (the U.S. Act suggesting the increase in independent directors), had a larger number of executive directors. One Indian study (Jackling & Johl, 2009) reported a slight positive relationship between outside (independent) directors and company performance but did point out that up to 60 percent of Indian companies at

the time were family owned and therefore possibly outside of the normal sample. As well as the high level of family ownership in India, the authors, Jackling and Johl (2009) questioned the attitude of outside directors as being susceptible to manipulation from those who helped them gain their board position.

With the variations occurring between the UK, U.S. and Australia it is anticipated that variations to any governance model will be greater in developing nations. Variations to governance models can certainly be seen in Zambia with Chanda et al (2017) describing corporate governance in that country as in an embryonic stage and a commonality across developing nations. Within the not-for-profit sector there are significant variations in financial accountability and reporting standards as described by Roslan et al (2017) who, in their study of accountability and governance reporting describe a lack of regulatory requirements within the Malaysian legislation. Roslan et al (2017) describe this lack of regulatory requirements as being a motivator of that country's not-for-profit organisations to provide only minimal financial reporting in contrast to that of other organisational functions. Governance within emerging economies seems to vary and whilst the presence of independent directors may not be a driver of increased profits there is clear evidence such as more ethical behaviour on the part of the firm, better oversight of board committees, higher quality and more environmentally friendly products as well as better community relations (Finegold et al, 2007). In conclusion, literature suggests that their inclusion on a board leads to more ethical behaviour in corporations.

The need for the non-executive director cannot be understated and first came to public and government attention in the early 1990s in the form of the Cadbury Code (1992) (Dulewicz & Herbert, 1999; Mallin, 2013; Tricker, 2015). Pandya & Bathala (2013) suggest having some, but no more than three, independent directors with the majority being executive and having the benefit to the company of knowledge of the firm. This need for executive directors and their greater knowledge of the organisation is supported by Harris and Raviv (2006) who found that an overdependence upon independent directors can be value reducing for the organisation. Pandya & Bathala (2013) go onto suggest that the agency costs that will be incurred by these executives will be balanced by the skills they bring to the board with the independents being there as an additional check to the honesty being created by the need for the executives to be seen as honest in the market place. This view point is very different

from that of the Hampel committee report (Dulewicz & Herbert, 1999) which recommended a third be non-executive directors. Failures of large institutions such as the Barings bank in 1995 (Mallin, 2010) sent shockwaves through the UK establishment resulting in the government setting up several bodies including the Hampel committee to investigate corporate governance within the UK in the last decade of the twentieth century. Having more than a third of a board comprising non-executive directors may prove counterproductive in times of corporate crisis as Finegold et al (2007) found that directors with a large financial stake in an organisation are more vigilant and tend to make better decisions in regard to company performance.

The consensus in relation to the non-executive director on a for profit board seems to point to: some are essential, too many can be detrimental, somewhere between ten and twenty percent non-executive would appear to be an optimal number. For the not-for-profit it is very different as most not-for-profit boards are made up completely of non-executive members (Tricker, 2015) presenting the not-for-profit board with a different dilemma, that of maintaining enough operational knowledge of the industry and organisation to be able to have it work to its maximum potential.

2.13 Board size

The size of boards do vary but they normally comprise a group of directors usually numbering somewhere between five and twelve (AICD, 2019) with a chair and normally a deputy chair, treasurer and directors either executive or non-executive (Mallin, 2013). In certain cases, the minimum number of directors is mandated such as in the case of a proprietary company which, in Australia must have at least one director or a public company which must have at least three (AICD, 2019) but in the case of a not-for-profit, no minimum is set as long as local legislation is complied with. The ratio of executive to non-executive directors is not set but it is reported (Dulewicz & Herbert, 1999) that the Hampel committee (1998) concluded that it would be difficult for non-executive directors to be effective in the duties if they made up less than one third of the total number of board members. In their conclusion, Dulewicz & Herbert (1999) found that for the non-executive director to be able to add

positively to the performance of a board, their powerbase must at least equal that of the executives.

The size of the board has been identified as a critical factor for effective governance and Jensen (1993; 2010) contends that the board's effectiveness is related to its size with the optimum being about seven or eight members. Jensen (1993; 2010) goes on to argue that boards larger than this are open to interference from the CEO, listing animosity and retribution by the CEO against members of larger boards as a possibility. A study by Bai (2013) found significant differences between size of board and performance in both not for and for profit organisations. The finding was that larger non-profit board are associated with greater social performance. Whilst there is little evidence that supports the notion that board size is positively linked to company performance, it seems that the same is likely to be the case with governance (Finegold et al, 2007; Guosong, 2010). It must be noted that there is often no simple recipe for success in relation to governance and that with so many variations of organisations presenting themselves no one size fits all solution will likely be available (Mulherin, 2005). The keys to good corporate governance have been sought long before that term become popular in the last two decades with Mulherin (2005) describing an article from 1875 listing the duties of a director. Literature supports the view that a larger board provides better oversight (Bhuiyan, 2010) that leads to better organisational performance (Xiaodong & Largay, 2011; Bai, 2013).

Researchers have sought to link the performance of the board to that of the organisation but it is important to remember that for profit organisations typically use financial metrics, however, a not-for-profit may use a service related measure (Bai, 2013) such as the number of meals provided to poor clients. Whilst board size may not have a direct effect upon organisational performance it will certainly have a bearing upon the efficiency of the board itself and an effect upon its decision-making process. The phenomenon of groupthink is a negative aspect of group decision making which will be examined in more detail later in this chapter are both exaggerated by group size (Robbins et al, 2008).

2.14 Board roles

Both Fama & Jensen (1983) and Xiaodong & Largay (2011) describe governance as the ability of directors to ratify and monitor decisions of managers and that the role of the board is to monitor a firm's performance and advise top level management. As well as the directors or board members described above, other board positions will normally include a chair who is responsible for running the board (Mallin, 2013). Harrison, Murray, & Cornforth (2013) tell us that chairs are often seen in not-for-profit organisations as being primarily there to chair meetings and that even in the for-profit sector, the chairman is seen by many as being less important than the CEO. In reality the CEO has responsibility for running the company's business and the chairman, responsibility for running the board (Mallin, 2013). It is in the interests of good governance for the board chair to be non-executive (Mallin, 2013), however, particularly in private companies this may not always happen. In a study of not-for-profit boards (Harrison et al, 2013) the chair was generally seen by other board members as being an important role.

In one of the few studies to use observational methods to study boards, Pugliese et al (2015) discovered that board members felt a board to be more inclusive if they had adequate time for discussion. Although only based upon the observations of two boards, the chair was seen as negatively affecting the boards meetings by constantly interjecting to keep the meeting running on time. A solution to this problem may be as simple as to ensuring adequate time is allocated for discussions.

The need to attract top quality board members is reported by Harrison et al (2013) as being a significant factor in how the chair is rated by other board members. In a not-for-profit organisation the chair can be elected by either the board or the organisation's membership according to their constitution. The Associations Forum (2018) report 31.30% of Australian not-for-profits have their general membership elect their chair as opposed to 68.7% who have the chair elected by the board. The forum supports election by other board members who they claim will have a better working knowledge of the individual and their abilities.

Van Puyvelde et al, (2018) describe several practical suggestions that relate to the role of the chair in improving a not-for-profit board's effectiveness as selecting a chair with good interpersonal skills who can also resolve conflict, build consensus, foster an environment of trust, build a relationship with the CEO and promote strategic discussion and questioning amongst board members. Bezemer et al, (2018) describe the role of the chair as being to "organise and oversee the decision-making process in the boardroom" (p 221). The study (Van Puyvelde et al 2018) suggests that good meeting practices such as provision of adequate and timely information, permitting all a chance to speak, starting and ending on time, focusing on strategy and policy as well as insisting board members come to meetings prepared adds to effectiveness. The final recommendations provided are novel but seem to be common sense and recommend that boards become teams and teach and coach each other in order to develop individual abilities. An important finding of the study by Bezemer et al, (2018) was that, in relation to board discussions, the level of engagement by board members was inversely related to the level of involvement by the chair. It appears that in relation to discussion at least, the chair serves the board best by ensuring better processes as opposed to personal involvement.

Harrison et al (2013) in their study discovered that, in relation to the perceived effectiveness of the board chair leadership, those who are performing well in the role are also seen as positively affecting the board, the CEO and organisation. This same study also found that the chair was seen to be more effective if they clarified the board vs. management potion of the organisation, set a broad direction for the organisation and helped the board to become organised and efficient in the way it conducts its business. Those who rated their relationship with the chair as high quality also rated the performance of the chair as high. Interpersonal relationships are also highlighted by their findings that respondents to the study rated chairs who worked with them as performing better. Some countries like the UK advise against the CEO of an organisation also being the board chair (Mallin, 2013; Tricker, 2015) but many developing countries (Chanda et al, 2017) may have not yet have addressed this type of issue. Some take the opposite position claiming that, as in the case of stewardship theory (Jackling & Johl, 2009), a single person with the power to make decisions will result in a better performing company. Jensen (1993; 2010) describes the joint CEO/Chair position as creating and sustaining a cycle of ineffectiveness. As one of

the board's key functions and therefore by default, one the chair's, is to monitor CEO performance. A function that becomes significantly less effective if the CEO is monitoring their own performance in their role as chair.

The role of the chair in relation to voting rights will vary from one organisation to another and in relation to a not-for-profit organisation will be determined by the organisation's own constitution (Australian Charities and Not-for-profits Commission, 2019; Government of Western Australia, 2015). Often the vote of the chair will occur once all others have been counted in order to act as a tie breaker if such an event arises.

A phenomenon that can potentially have a negative effect upon boardroom decisions is that of obedience to authority. Stanley Milgram's famous 1962 obedience to authority experiments (Nestar, 2014) found that many people would obey an authority figure even to the point of delivering a (perceived) painful electric shock to another. What if that authority is legitimately or otherwise attempting to influence a group decision? In an interesting study Wilhelm (2012) investigated the effects of obedience to authority on a board and found that "the results seem to indicate that obedience to authority can have a profound influence on decision makers to support unethical behaviour in a group setting" (p 27). It should be noted that the board used for this study was not an actual board but was made up of MBA students in acting roles and therefore, its findings need to be verified with a study of actual board members.

In Australia, the Corporations Act 2001 requires all public corporations to appoint a company secretary (Australian Government, 2001), however private corporations and not-for-profit organisations are exempt from such requirements. The position of company secretary is normally held by a senior director although holding a directorship is not a requirement (AICD 2019). The company secretary's role is to provide guidance to the chair and board on matters of compliance and governance. The role of the company secretary was highlighted by Cadbury in his 2002 report to the U.K. government (Wan & Ong, 2005). Such a role leads to higher levels of governance and aligns with the work of Stuebs & Sun, (2015) and their findings of positive links between good governance and better corporate social responsibility.

2.15 Board committees

Boards often create committees to deal with certain areas such as a finance, risk and compliance committee or nominations and remunerations committee (Mallin, 2013). Committees, sometimes called advisory committees or advisory boards (Tricker, 2015), are normally made up of serving board members but can also be chaired by board members and have positions filled by non-board member specialists in certain cases. It may even be possible for certain boards to have committees made up entirely of non-board members as in the case of advisory boards, which have no executive authority (Tricker, 2015). Whilst there is no legislative requirement within Australia for a board to have committees, many organisations in both the for profit and not-for-profit sectors use such committees to provide detailed advice to the full board. Examples of fields that are commonly dealt with by board committees are finance, risk, audit, executive and budget (AICD 2019).

Committees will have more time available than a full board to investigate and discuss issues and are ideally placed to provide the background information to the board relating to a decision required of it. Many organisations however, have discovered that too many committees or those committees, which are too large become difficult to deal with and have found it more economical to simply employ short term consultants (Tricker, 2015). Such consultants, as well as possibly providing such a cost saving, can be recruited upon their expertise as needed. Many boards have one or two standing committees such those described above and the form others on an ad hoc basis (AICD 2019).

2.16 Structure and performance of boards

Boards are not keen to expose their inner workings to outsiders and have been described as corporate black boxes (Payne et al, 2009; Coombes et al, 2001). Directors may worry about legal implications or the effect upon share prices (Finegold et al, 2007; Payne et al, 2009) and as a result access to board information is never easy to obtain (Daily, Dalton, & Rajagopalan, 2003; Payne et al, 2009). This difficulty in gaining access to boards and the fact that most research has been completed using historical data such as minutes of past meetings (Tricker, 2015; Wan

& Ong, 2005) leads to problems gaining data that is comprehensive and reliable (Payne et al, 2009).

Regardless of the exact structure of the board, the purpose is similar, to provide guidance to the organisation in matters of management and governance (Mallin, 2013; Tricker, 2015). Although there is only limited research that supports increased levels of board activity adding to a firm's value (Xiaodong & Largay, 2011) the same cannot be said in relation to its governance. Several studies have discovered a positive correlation between quality of governance and level of board activity (Md Kassim, Ishak, & Manaf, 2013; Wan & Ong, 2005). Quality of corporate governance is in turn shown to have a positive effect upon corporate social responsibility (Stuebs & Sun, 2015) and this alone would seem to be a good enough reason to encourage good governance.

One such area of positive effect upon a board is the effect of non-executive directors. The effect of the presence of non-executive directors upon a board is clearly shown by research to align with a higher level of ethical behaviour and governance (Dulewicz & Herbert, 1999; Mallin, 2013; Tricker, 2015; Finegold et al, 2007; Pandya & Bathala, 2013). The findings of several studies offer differing perspectives as in the case of Tarak Nath & Apu (2013) who, in their study of Indian companies, claim that the company's performance is affected by board structure but they are certainly in the minority of researchers holding this view.

Board members are either appointed or more usually elected to a board for a fixed period, often a three year term (Guosong, 2010; Associations forum, 2018) and most boards, rather than having an entire board re-elected at the same time, follow the practise of having staggered elections. Staggered boards have been found to increase a firm's value (Guosong, 2010) and avoiding the loss of corporate knowledge that would be associated with all the board leaving at the same time. Typically, staggered boards require about a third of the board to be due for re-election each year (Guosong, 2010).

Many European nations use a two tier board system with one, the executive board dealing with management issues and the other, a supervisory board providing

governance (Mallin, 2013; Tricker, 2015). Within the two tier system it is normal to have the management board made up completely of executive directors and the supervisory board completely of non-executive directors (Tricker, 2015). Normally within the two tier system there would be no common membership between the two boards and the supervisory board would have the power to appoint and remove executive board members (Tricker, 2015). With the fallout of large corporate failures such as Enron (Mallin, 2013) it was only a matter of time until calls were made to have greater controls placed upon them. Suggestions such as having members of society on oversight boards to ensure that corporations act in the interests of society came about (Raelin & Bondy, 2013), however, it is not clear what effect such a move would have upon corporate investors.

2.17 Executive salaries

Within the not-for-profit sector, it is not common, particularly in relation to the smaller organisations, to have paid board members but this is not always the case and as a result a review of salaries and their possible effect upon the organisation and its board is relevant. The GFC caused both managers and directors alike to come under increasing scrutiny and Coombes et al (2011) describe the role of the board to discourage managerial opportunism and protect stakeholder interests. Agency theory clearly has a bearing upon the owner / manager relationship and both Bhuiyan (2010) and Mallin (2013) describe the board of directors as essential in reducing the negative effect of agency issues. Prior to the GFC the huge salaries paid to even underperforming CEOs were starting to come under criticism (Certo, Daily, Cannella Jr, & Dalton, 2003). Post the GFC such salaries came under direct attack with one of the primary jobs of a remuneration committee to set the salary of the company's executives (Mallin, 2013).

Initial logic seemed to suggest if executives have equity in the firm, the effects of agency theory will be reduced (Fama & Jensen, 1983) as the executive tries to increase the value of their holding in line with the holdings of other owners. A negative consequence of executive share ownership is that whilst in the good times of increasing equity value the agency costs may be reduced, in times of decreasing equity value, disposal of shares by executives may well be seen as lack of confidence

in the future of the company (Certo et al, 2003). In the conclusion of their study into the effect that CEO equity and options had upon the market valuations of U.S. companies during their Initial Public Offering (IPO) Certo et al (2003) suggest that executive equity in the form of stock options may well have a positive effect upon market value of a company due to the future value of the present equity. Stock options give the holder of the option the ability to purchase shares or stock in a company at a future time as well as the option to not make the purchase if the value of the stock fails to increase during that time (Ross et al, 2011).

Regardless of the method of remuneration, use of financial incentives is clearly seen as a means to align the interests of the agent with the principal and reduce the negatives associated with agency theory (Baeten et al, 2011; Bryant & Davis, 2012). As well as being used in an attempt to align the interests of the principal and agent, executive salaries will generally reflect the resources that they are able to bring to an organisation, resources that may be external to the organisation but of use in the reduction of uncertainty (Baeten et al, 2011). It is important to note that proponents of stewardship theory see recognition as a steward as a greater motivator than a purely financial form of incentive (Baeten et al, 2011).

2.18 Skills diversity

Several studies have sought to link board structure to company performance. It is easy to draw statistical conclusions from the sample simply being in the wrong, or right time as in the case of (Haslam et al, 2010) who in their study to investigate the reported negative effects of women board members upon company performance. This study concluded that whilst statistically some companies had lost value whilst having women board members, the cause was simply that these women happened to be on boards of companies that lost value at the time of the study and therefore there was no causal effect.

Skills diversity is sought by many boards in relation to the range of skills and expertise possessed by their membership. There is a substantial volume of literature supporting diversity (Daily & Dalton, 2003; Robbins, Judge, Millet, & Marsh, 2008; Stone, 2008) as having a positive effect upon a number of areas including, of interest

to this study, discussion and decision making. Abzug & Galaskiewicz (2001) describe the recruitment of board members from the ranks of managers and professionals deliberately by boards for the skill sets and abilities that these individuals are able to bring to the boardroom. This process whilst strengthening the board does also have the potential effect of decreasing population diversity, a reflection of the various segments of general society, by recruiting only from the managing class. The potential problems associated with this are discussed in the next section.

Skills diversity relates to a broad range of board skills, skills such as legal, financial, governance, human resources, marketing and the like. Boards need good diversity of skills (Tricker, 2015) and may well need to seek experts in fields such as finance, marketing or similar in the event of discovering areas of skills deficiency. Many boards maintain a director's skills matrix to ensure that during recruitment; directors are selected who meet the required skill and experience requirements to fill gaps in board expertise as well as reducing the risk of nepotism (Maharaj, 2008).

2.19 General diversity

The term general diversity that is diversity of gender, race, age etc is used by this study to describe the general diverse nature of the general population. General diversity on any board is desirable and supported by Tricker (2015) who found that boards need good diversity of gender and ethnicity as well as that of skills. Tricker (2015) goes on to caution that boards need to be careful that in their quest for general diversity they do not find it comes at the cost of other skills, a cost that may lead to a skills deficiency within the board. Organisations that promote general diversity within their own ranks such as BHP Billiton and Blackrock claim better decision making, lower injury and better engagement rates (Ames et al, 2018).

In relation to not-for-profit organisations, it seems that boards have never been representative of the general population. A U.S. study that spanned ninety years (Abzug & Galaskiewicz, 2001) found only a slight improvement in the levels of general diversity found on boards in recent years. Some researchers argue that legislation should be used to help bring the proportion of directors and CEOs in line

with the proportion of the different groups within society who are under-represented on boards (Ramirez, 2003).

In a final twist in relation to diversity, some organisations require directors to purchase equity in the organisation as a means of ensuring alignment (Daily & Dalton, 2003). The requirement to make such purchases has often been seen as a barrier to entry onto such boards for the groups sought to increase diversity but, in a surprising result, the opposite has been found to be the case (Daily & Dalton, 2003). Interestingly Daily & Dalton's 2003 study of the corporate world found that a requirement to have directors purchase equity increased the number of women and minorities on the board.

In relation to not-for-profit boards, it is not uncommon for boards to insist upon members or at least a percentage of board members to have some form of lived experience as a consumer of the service being offered (Australian Broadcasting Corporation, 2016; Johnson, 2011). Within the U.S., federal legislation requires at least 51% of the board of a health centre receiving federal funding to meet this criterion (Johnson, 2011). In 2016, Bruce Bonyhady, the outgoing chair of Australia's National Disability Insurance Agency (NDIA) was reported by the Australian Broadcasting Corporation (ABC) as stating "Lived experience of disability on the board has also brought existing relationships which have been essential to establishing the trust and confidence of the disability sector in the NDIA." (Australian Broadcasting Corporation, 2016. No page number).

Whilst the insistence of board members with a lived experience on a not-for-profit is a noble cause and one which seems likely to benefit the organisation in achieving its mission, just like their for-profit counterparts this practise could have the effect of decreasing diversity by limiting the number of potential candidates and as such needs to be balanced with the need for skills diversity. Importantly as an end note to the subject of diversity, many directors see ability to actually use talent and skills as more important than simply having them (Wan & Ong, 2005), a point that board member recruiters should bear in mind.

Research into boards has focused upon gender diversity and shows that there is still some way to go to achieve parity. In its 2018 survey of 250 Australian not-for-profit organisations the Associations forum, (2018) reported that 60.55% of not-for-profit board members were male and 39.45% female. In 2016 females accounted for 35% and in 2016, 34%. Women in the for-profit sector fair slightly worse with 29.6% females reported on ASX200 boards as of 2019 (AICD, 2018).

2.20 Board evaluations

It is important that all boards are evaluated regularly to ensure their continuing effectiveness and to identify areas of potential weakness (Adams, 1994). The importance of board evaluations applies equally to both for profit and not-for-profit board. Typically, boards conduct self-assessments of their abilities, strengths and weaknesses and those of the individual board members (AICD, 2019). Board assessments are reported by the Australian Institute of Company Directors (AICD, 2019) as being unpopular with not-for-profit board members who may see them as being a test of their abilities. This unpopularity could be a possible explanation of the worrying report by the Institute of Community Directors Australia (ICDA) in their report entitled Governance roadmap 2000 that a third of Australian not-for-profit board members surveyed reported that their board had no means in place to measure board or board member performance (ICDA, 2020). To prevent such resistance, assessments are often completed confidentially and individually by the board members themselves and the chair and then reviewed in the aggregate to provide a picture of the boards perceived capabilities (Tricker, 2015).

The results of evaluations can be used to target board recruitment or trigger the use of external experts to counter weaknesses identified. Any deficiency discovered by an evaluation will impact the board's ability to make decisions as it will reduce the boards combined knowledge and therefore its ability to evaluate alternatives. During recruitment it is important that boards consider the *fit* of a potential new board member as well as their suitability in relation to skills, qualifications and knowledge. A good fit will enable the board member to function optimally within the board environment (Elms et al, 2015).

Boards may comprise both executive directors that have day to day management responsibilities and non-executive directors who do not and many see the two groups as needing to be treated differently when it comes to evaluations. Bhuiyan (2010) tells us that it would not be reasonable for executive board directors to monitor themselves and also make the claim that non-executive board members are busy people and may not have the time required to govern. This view, however, contrasts with Mallin (2013), who describes non-executive directors as a mainstay of good governance. Mallin's argument is supported by other researchers (Dulewicz & Herbert, 1999; Tricker, 2015).

Bai (2013) found a positive relationship between the number of external directors on a New Zealand board and company performance showing that corporate governance is better when the board is controlled by externals and also that poor governance leads to poor performance (Bai, 2013). The findings of Bai in relation to the use of external directors and corporate governance and ethical behaviour is supported by others (Dulewicz & Herbert, 1999; Mallin, 2013; Tricker, 2015; Finegold et al, 2007; Pandya & Bathala, 2013). The claims by Bai (2013) that organisational performance was increased by the use of external directors seems to be contradicted by Haslam et al (2010) who found that although several studies tried to link board structure to company performance, the affect was inconclusive.

Internal audits are a cost effective way to reduce agency costs (Adams, 1994) and are widely used by boards as they are also considerably cheaper than their external equivalent (Adams, 1994). Good governance practice is to have an external evaluation or audit conducted periodically as a double check (Mallin, 2013). Stuart (2015) and Kuprionis (2011) both describe the key elements of a successful board self-assessment as requiring: director buy in, consensus on the tool used; and an agreement on follow ups. Kuprionis (2011) goes onto state that not all board self-assessments are successful and that poorly conducted evaluations will destroy trust and directors may be worried about confidentiality, legal concerns or the like. The three variations of the assessment process are described as being internal, external and combination.

As previously described, the vast majority of research into the field of boards and governance of organisations has been historical. Only a handful of studies have

conducted primary research (Bezemer et al, 2014; Brundin & Nordqvist, 2008; Huse & Solberg, 2006; Huse & Zattoni, 2008; Machold & Farquhar, 2013; Parker, 2007; Samra-Fredericks, 2000a, 2000b) and even of these studies, none were concerned primarily with conducting primary research into board decision making with few using longitudinal methods to examine board decision making over time.

Much of the past research conducted has been targeted at an attempt to align the activities of a board with one or more of the existing theories explored earlier in this paper such as agency, resource dependency or stewardship theories. Researchers (Machold & Farquhar, 2013) have argued that evidence suggests none of these theories alone are capable of explaining the inner workings of a board due to the hugely complex nature of the board and its actors. The board its self is forever changing with Huse & Zattoni (2008) describing how an organisational life cycle, comprising stages such as "start-up", "growth" and "crisis" as various stages that an organisation may go through during its life time all requiring or causing behaviours of the board or its members to change how they operate.

Highlighting how more than one theory is at work in a board, Machold & Farquhar (2013) create a table of twenty one board activities showing how each activity aligns with its respective theory. The board function of monitoring the activities of senior executives would, for example be aligned with agency theory. The board function of reviewing strategies would align with stewardship theory and co-opting of external resources with resource dependency theory. Their study shows that there is more than one theory at work in the complex, uncertain and ever-changing boardroom environment.

2.21 Chapter two summary

This chapter has provided an overview of the literature relating to boards, their directors, governance and the main theories that are taken as relating to them, agency, stewardship and resource dependency theories. The chapter demonstrated that good governance is hard to define but that poor governance is more obvious and can be identified in its final stages by organisational failure. As well as providing governance and employing a CEO, boards are also responsible for giving strategic direction and

assurance of compliance. Boards may fall into the for profit or not-for-profit category with the single most important differentiator being that the not-for-profit organisation must reinvest its profits where the for profit pays this to shareholders as a dividend. This study seeks to assist the governance of the not-for-profit sector by offering suggestions on how to create a better decision making process which may present the sector with better management of its constantly scarce resources.

Board structure can vary from country to country as can the form of legislation that governs them. Directors can be executive and involved in the running of the organisation or non-executive and concerned more with governance. Both types of directors can be either paid or voluntary, within the not-for-profit sector most but certainly not all are voluntary.

The chapter presented the three main governance theories, agency, stewardship and resource dependency theory. All three theories appear to be at work within the board environment both individually and collectively. In a not-for-profit board stewardship theory appears to be the dominant theory at work most of the time with others being required based upon the boards function at the time. Board members are in place to be the stewards of the organisation so need to be selected for holding values similar to the organisation. Some form of agency controls will remain a necessity particularly in relation to payments and receipts as it is never a good practice, even in a not-for-profit to have the person who takes the money, counting the money as well. The existing literature has highlighted the importance of the non-executive director in matters of governance.

Extant research has also demonstrated that better governance does not mean better business and that a majority on any board need to have a clear understanding of the operational side of the organisation. The existing literature has described the common board roles, those of the chair, secretary and treasurer as a common minimum. It has described the use of committees with some such as finance, risk and compliance and audit committees often being standing and others such as nomination and remuneration committees being ad hoc. The current literature has clearly shown the need for a skills diverse board that regularly assesses its own skills in the form of a board skills matrix and it is clear that the size of a board can also impact governance but probably does little to influence organisational performance. Of importance to this

study, this chapter has shown that a skills diverse board using committees to research and provide guidance should be better placed to have the correct information required to make quality decisions. With gaps in literature relating to the methods used by boards to make decisions the effect that various influences have upon such decisions are unknown. One of the theories relating to boards may prove significant in this regard or all may play some role.

Chapter three: Literature review: Decision making

3.1 Introduction

This chapter explores the literature relating to decisions made by boards. The chapter explores the types of decision, models and processes used as well as the suitability for such models and processes in the strategic group setting of the boardroom. This chapter also examines many of the variables including the need for consensus, time limits, ambiguity, as well as personal and organisational history and the effect of emotions that can influence decisions made by a board as well as reasons for poor decision making and the organisational failure that can accompany decision making. The author was expectant that literature on the subject would be sparse but that studies relating to the wider field of decision making would extrapolate to boards.

3.2 Board decision making

How decisions are made by boards has an effect upon the success of not-for-profit organisations. One study (Dean and Sharfman, 1996) found that "managers who collected information and used analytical techniques made more effective decisions than those who did not" (pp 389). It would be expected that the size of an organisation in relation to the resources it has available would have a bearing upon the complexity of the process used by the organisation in its decision making and therefore, it is likely, the quality of the results obtained. Larger organisations would be expected to have the resources required to seek expert input such as legal or strategic advice to aid their decision making where the smaller organisation may not have access to adequate resources. If poor decision making leads to poor outcomes, then it follows that the quality of decisions made at both a strategic and operational level may be one reason for the failures of large numbers of small and medium sized enterprises around the world (Hang & Wang, 2012).

The volume of literature relating to decision making is substantial. The goal of this study is to discover how boards of not-for-profits make decisions and there is relatively little literature on this specific challenge, particularly in relation to the not-for-profit aspect of the study. Some background on the various decision-making

processes for organisations is required and the scope of the review is expanded to draw from for-profit boards as well as some of the wider literature available on general decision making.

There is some question as to the level of impact a board has upon the strategic decisions of the firm and that these decisions are more often made by executive management than boards (Carpenter & Westphal, 2001). Even if we take the view point that such decisions are made by management, which is one of the two polarised views presented by Maharaj (2007) with the other being that they are taken by the board, they will all, in most cases need to be ratified by the board at some point (Maharaj, 2007). The result of such a ratification process is that some form of strategic decision-making process on the part of the board will be required.

The decisions made by boards tend to fall into the strategic realm and those relating to operational management are left to the executive management (Tricker, 2015). Operational decisions are conventionally made in an environment in which relatively good quality information is available and that exhibit low levels of ambiguity (Sampson and Daft, 2009). Sampson and Daft (2009) go on to describe a classical decision-making model, one that assumes logical decisions will be made by managers to provide the best outcome for the organisation when faced with clear cut problems and goals, conditions of certainty, low levels of ambiguity about alternatives and that the decision maker will make a rational choice.

Although much of the research described has been conducted in relation to specific board or executive roles such as the CEO it seems likely, as argued by Brundin and Nordqvist (2008) that much would also relate well to board members in general. In one of the few studies that attempt to compare board processes, board strategic involvement and organisational performance, researchers (Zhu et al, 2016) studied the level of strategic involvement that a board had in an organisation. The study concluded that whilst the level of involvement varied to the point that some boards were happy to leave strategy to senior executives and simply ratify it, others were able to improve the performance of their organisation simply by being active in the strategic decision-making process.

Many of the activities undertaken by the observed boards in another study were noted by researchers (Machold & Farquhar, 2013) to be routine with much time taken up passively listening to materials that could have been delivered prior to the meeting, allowing greater time for more important discussion. One of the more important areas for which more time may have proved beneficial was that of decision making, which was observed to take a substantial amount of board time and effort (Daily & Dalton, 2003).The next section will now explore in more detail operational and strategic decisions are made and the variables that may affect them.

3.3 Operational vs. strategic decisions

Strategic decisions are made under high levels of structural and dynamic complexity, are often based upon limited or imperfect information and typically involve climates with high levels of uncertainty (Sanchez & Heene, 2004; Sampson and Daft, 2009). There are many varying definitions of strategic decision making such as: large, expensive and precedent setting decisions (Hang & Wang, 2012) or decisions that guide the organisation according to the environment, affect the internal structure and processes and consequently its performance (Balta, Woods, & Dickson, 2013). Strategic decision making comprises two forms: decisions regarding content, and decisions regarding process; with most having dealt with content such as portfolio management, diversification, mergers and the alignment of strategies with the current environment (Balta, Woods, & Dickson, 2010; Elbanna, 2006; Md Kassim et al, 2013; Payne et al, 2009; Tarak Nath & Apu, 2013).

Rodríguez-Ponce & Pedraja-Rejas (2012) describe six variables that may have practical implications for strategic decision makers as being: high levels of rationality, politicisation, cognitive conflict, affective conflict, flexibility and procedural justice in decision making. These six variables are now outlined in turn.

Rationality
Rationality is the quality of being based on or in accordance with reason or logic, the quality of being able to think sensibly or logically or the quality of being endowed with the capacity to reason (Oxford dictionaries, 2019). Rationality is linked to firm performance (Elbanna, Thanos, & Papadakis, 2014; Harrison, 1993; Rodríguez-Ponce

& Pedraja-Rejas, 2012; Shear et al, 2013) and most board members can make the mental link between rationally examining various alternatives and then making the best possible choice. High levels of rationality were found to have a positive effect by enabling the decision maker to understand not only all of the various alternatives but also the differing effects that each alternative may have upon the end decision (Rodríguez-Ponce & Pedraja-Rejas, 2012).

Politics

Humans are very political by nature so it is likely that politics may play a significant part in the board decision-making process (Rodríguez-Ponce & Pedraja-Rejas, 2012; Sampson and Daft, 2009). Bailey & Peck (2013) in their qualitative study divide decisions into those propelled by procedure or politics and describe board leadership, shared mental models and power differentials as key determinants. As previously discussed, many variables can have an effect upon strategic decision making, however one that is prominent and described as having a negative effect is that of political coalitions. Several researchers (Elbanna et al, 2014; van Ees et al, 2009) suggest that further primary research on board decisions is needed using qualitative methods (Dulewicz & Herbert, 1999; Elbanna et al, 2014; Payne et al, 2009; Tricker, 2015; van Ees et al, 2009; Wan & Ong, 2005) in order to gain a better understanding of the reasons behind the decisions or the use of coalitions. Politicisation in decision making leads to the formation of sub groups and the use of tactics to further the aims of such sub group (Rodríguez-Ponce & Pedraja-Rejas, 2012).

Cognitive conflict

Cognitive conflict is seen as being a positive variable for decision making (Rodríguez-Ponce & Pedraja-Rejas, 2012; Zhu et al, 2016) and causes expansion of the thought process. So positive is the effect of cognitive conflict upon the decision making process that some researchers (Quinn, Faerman, Thompson, McGrath, & St Clair, 2007) suggest taking steps to actually introduce such conflict to stimulate discussion and provide opposing alternatives. One method of achieving cognitive conflict is the use of a third party (Saxton, 1995) who may: provide an independent view, present new ideas or diagnose problems and evaluate solutions. The third party is often a professional consultant such as an accountant and may be used to great

effect as either an expert, provocateur or a provider of legitimacy depending on the stage of the decision making process at which they are introduced (Saxton, 1995).

Even though cognitive conflict is widely accepted as a positive, De Dreu & Weingart (2003) have suggested that even this form of conflict should be discouraged, however, contemporary research would suggest that up to a point cognitive conflict is constructive and after that point it starts to have a negative effect (Parayitam & Dooley, 2011) and should therefore be encouraged but monitored. Any board planning to introduce cognitive conflict in an attempt to improve the quality of decision making would need to do so with great care. Good past performance within an organisation will provide a greater margin of error to those attempting to introduce such methods, however, attempting to bring in conflict to an organisation/board with a past history of poor performance is indicated as increasing the risk of accidental introduction of affective conflict (Amason & Mooney, 1999).

Affective conflict

Affective conflict is seen a negative variable (Rodríguez-Ponce & Pedraja-Rejas, 2012; Zhu et al, 2016) and is usually a destructive form of conflict that does nothing to stimulate the thought process but rather creates interpersonal conflict. Affective conflict can be difficult to spot and follows four stages (Quinn et al, 2007): the latent stage where the conflict is not readily apparent, the emotional stage where the opposing sides begin to feel emotions, the overt stage where a decision is made to either resolve or escalate and then the final stage, the outcome or aftermath. It seems to follow that if a board is a group requiring a consensus of opinion which is indicated by the vicarious nature (Mallin, 2013; Tricker, 2015) of the board, it should be aware of the phenomenon. One would hope that the board members themselves or failing that the chairman would recognise affective conflict at the start of the overt stage and take steps to move towards the resolution rather than escalation option.

Flexibility

Flexibility in decision making can result from the exposure gained by directors holding positions on a variety of boards and observing the decision-making process at work (Carpenter & Westphal, 2001). Flexibility in decision making also means having

the ability to consider new ideas or re visit old ones and is reported as having a positive effect upon decision making (Rodríguez-Ponce & Pedraja-Rejas, 2012).

Procedural justice

The last of the variables suggested by Rodríguez-Ponce & Pedraja-Rejas (2012) is also positive and is that of procedural justice, which they describe as everybody having equal input and the right to accept or reject ideas based upon merit alone. The U.S. Dept of Justice (2021) goes further and describes their understanding as consisting of: fairness in the process, transparency in actions, opportunities for voice and impartiality in decision making. Not all boardroom decision making follows formal procedures and in their study of gender related boardroom dynamics Huse & Solberg (2006) found that much decision making occurred either before or after the board meeting requiring board members to make an effort to engage in extra boardroom activities to keep in the loop.

Zhu et al (2016) describe outside board meeting reviews as another method of board decision making with directors individually studying material and making independent decisions outside of the boardroom environment. However, they draw the conclusion that this practice is contraindicated due to the lack of involvement of other board members and describe such a practice as an impediment to good decision making. The study shows a strong positive relationship between a board's involvement in strategic decision making and the organisation's performance. Their study also highlights the finding that in relation to a not-for-profit organisation, board meetings set up with the purpose of dealing with strategic issues will be far more effective in achieving such a goal compared to attempting the same at a general board meeting where the issues may be rushed.

3.4 Decision making models and processes

Decision making theory has been found historically in the quantitative disciplines such as economics and mathematics with quantitative models such as the rational or organisational models (Harrison, 1993). Now models that are totally qualitative such as the political or process models have gained popularity (Harrison, 1993) and need to be carefully monitored as they can easily be influenced by an individual's beliefs and

attitudes (Parayitam & Dooley, 2011; Rodríguez-Ponce & Pedraja-Rejas, 2012). The over reliance upon process is described by Anthropologist Gillian Tett (British Broadcasting Corporation, 2021) as "walking through a forest with your head down, eventually you will bump into a tree" (no page number).

Many models for decision making exist and are generally mathematical, social or philosophical in nature (Harrison, 1993). Models of strategic decision making generally consist of several steps such as identifying the existence of a problem, developing various possible solutions and selecting the best solution available (Kao, 2005; Vasilescu, 2011). Decision making models such as the administrative (organisational) or political models described by Sampson and Daft (2009) or the rational model described by Robbins et al (2008) generally consist of the following common steps: define the problem, identify the decision criteria, allocate weights to the criteria, develop the alternatives, evaluate the alternatives, and select the best alternative.

Many variations of the rational model exist such as that described by Sand (2012) who creates a subtle variation with a seven step model comprising: identify objectives, generate a list of alternatives, evaluate each alternative, process each alternative, examine costs and benefits of each, and lastly implement the decision but monitor and be ready if risks become reality. The rational decision-making model is one described by Harrison (1993. pp27) as mathematical in nature and not suitable for all situations due to the assumptions that are required by it. Even these types of decision-making models have to assume a certain amount of satisficing, a term used to describe a situation where due to boundaries such as the amount of time available, suitable solutions to decisions are accepted even though better solutions may exist (Sampson and Daft, 2009).

The organisational model attempts to combine certain qualitative features along with the more quantitative aspects of processes of the rational model. The qualitative features of the organisational model include multiple acceptable outcomes, an approximation of outcomes, reacting to policy and feedback, and the use of rule of thumb (Harrison, 1993) to create a larger acceptable range of correct decisions. The political model, which is based almost completely upon behavioural considerations,

only considers alternatives that are close to the status quo (Harrison, 1993). The model only considers a small number of alternatives and problems are constantly redefined to make more acceptable with no single correct decision (Harrison, 1993).

The steps involved in each of the models described so far appear clear cut and move through a pre-determined logic of progression. However, it is unclear whether a logical rational approach approximates the decision-making within a board. Kugler et al (2012) suggest that group decision making works differently and that emotion, politics and other factors all play a far greater part in group decision. Robins et al (2008) describe the strengths of group decision making as having the advantage of considering more alternative options available due to the provision of more complete information and knowledge by a broader range of group members. Robins et al (2008) also list greater buy in to a decision as another advantage if all group members participate but describe the pressure exerted on an individual to conform to the group and the problem that groups can be dominated by one or more members as negatives. Three common forms of group decision making are the interactive group decision making model, the nominal group technique, and the Delphi technique (Van de Ven & Delbecq, 2014).

The nominal group technique requires all participants to individually and privately list all alternatives and outcomes for a given decision and then discuss in a group situation once all group members have completed their own lists in private. The interactive group decision making model requires all members to discuss face to face the various alternatives and possible outcomes prior to making a decision (Kugler et al, 2012). The Delphi technique requires all members to complete a normally online questionnaire relating to a decision whose results are returned and collated at a central point and then have the results resent for voting (Van de Ven & Delbecq, 2014).

The pressure exerted on an individual to conform to the group can lead to groupthink, a potential negative to any group decision making process. Groupthink is a phenomenon that occurs when the desire to reach consensus within a group overrides the group's needs to adequately explore all alternative options (Robbins et al, 2008) and can have a significant effect upon the quality of decisions made. This is because groupthink will tend to reduce discussion and the suggestion of various possibilities.

Research shows that groupthink, values and knowledge are key to any decision made by a board but it is of concern that groupthink and value seem to have a greater effect upon a board's decisions than knowledge (Maharaj, 2008).

Suggestions to limit the effects of groupthink are the careful selection of a diverse range of board members using a skills matrix to ensure that directors are selected for their knowledge and skills as well as possibly having a variety of behavioural characteristics. This variety of characteristics is suggested by Maharaj (2008) as leading to more effective board decisions as is the use of turn taking as well as the provision of adequate time for debate (Bezemer et al, 2014).

The research on groupthink (Houghton, 2015) shows how a group of people may make a decision differently to an individual and how this situation can have a bearing upon the quality of decision made in respect to trying to please others and not properly assessing all alternatives. Group shift, is another effect relating to group decision making where the group's appetite for risk varies to that of the individual (Robbins et al, 2008) and also requires consideration of its effect upon the board. Individuals will have their own opinion as to the level of risk they are happy accepting such as in the case of making financial investments; however, it appears that in most groups the level of risk that is seen as acceptable increases towards the views of the more extreme members of the group (Robbins et al, 2008).

As described previously, whilst decision making models do exist, many may be of limited use in the real world with decision makers needing to judge for themselves what type or even mixture of models suits their application (Harrison, 1993). Simon (1979) describes a decision-making model as only of use if it makes a decision, a view supported by Harrison (1993) who suggests that any model "should enable the decision maker to predict real world phenomena with valuable consistency and accuracy" (pp 27). The difficulty of creating a model suitable for advising on a complicated strategic decision in an ever changing, uncertain environment is obvious. Models designed for specific purposes can become extremely complex as designers try to account for every variable (Fisher et al, 2004). Models for specific purposes may be of great use for the design purpose but for a generic model, simplicity has many supporters (Lyons et al, 2003; Simon, 1979; Whittier et al, 2006). As reported

by both Kao (2005) and Vasilescu (2011) most models describe several stages which attempt to identify a problem, develop various possible solutions and selecting the best solution available. The problems that make many existing models unsuitable for use by not-for-profit boards relate either to the assumptions required for the model to be effective or relate to the problems created by the group dynamics of a board. These two variables will now be addressed.

The strategic decisions made by a board tend to relate to the future and, as such are made in an environment of high ambiguity and uncertainty. Harrison (1993) describes variables like these that may fall outside of the model's assumptions as rendering quantitative models such as the rational (Harrison 1993) or administrative (Sampson and Daft, 2009) models inappropriate, they are therefore of little use to the board in their current form.

The group environment does not, as previously discussed, always lend itself to an individual based model (Kugler et al, 2012; Robbins et al, 2008) due to the unquantifiable and yet ever present threat of variables such as pressure to conform, groupthink, group shift, politics (Robbins et al, 2008). Certainly, all of the group techniques possess attributes that would benefit the board environment such as allocation of adequate time and a chance for all to have their say but all also possess some that would prove negative such as loss of the richness provided by discussion and the requirement for all to put forward a point of view which some may find intimidating.

The key to an effective model that may be used by the board of a not-for-profit organisation may be presented by the six variables described by Rodríguez-Ponce & Pedraja-Rejas (2012) being: high levels of rationality, politicisation, cognitive conflict, affective conflict, flexibility and procedural justice in decision making. A possible solution may exist if a model was capable of intergrating both the quatitative logic of the rational type model with the qualatative descriptors from one of the group decision making models could be found.

3.5 Reasons for poor board decisions

Although, at first glance a reasonable amount of research has been conducted into board decision making (Crow et al, 2014; Bailey & Peck, 2013; Balta et al, 2010, 2013; Carpenter & Westphal, 2001; Kugler et al, 2012; Wilhelm, 2012) little is known about the exact processes used by boards to make their decisions as only one study (Crow et al, 2014) has used observation of actual board meetings. Regardless of the exact nature of the model or process used to make such decisions it is argued one ingredient is essential. To make a good decision, a board is totally dependent on being provided accurate information (Sand, 2012). Unfortunately, provision of accurate information is not always possible and sometimes, it is not in the interest of the CEO to provide the board with bad news as they may fear for their job (Maharaj, 2008). It is vital that any board takes steps such as developing a culture of transparency where the CEO will not fear repercussions from the type of honesty described above.

Provision of information can be a double-edged sword for the board member with lack of information hampering the ability to identify and select from various alternatives but also driving others to provide too much information. Information is normally provided to board members in a board pack prior to a board meeting to permit time to read (AICD 2019). The Australian Institute of Company Directors report that many board packs being provided now are in the region of one hundred or more pages, the question is raised of information overload (AICD 2019). The implications of these ever growing board packs on the not-for-profit board member could be a reduction in tendency to read and the resultant increase in risk of poor decisions caused by poorly informed decision makers.

The methods used to make a strategic decision may vary and it is reported by Dean & Sharfman (1996) that managers who use a process to identify the best of a range of options will gain a more effective outcome than those who do not. Other researchers (Sampson and Daft, 2009) claim that a balanced approach is required as some managers become obsessed with rationality when a more intuitive approach would have provided a better result or vice versa. It seems that under certain circumstances such as lack of time, lack of need for consensus, lack of ambiguity and low level of risk a manager with the right background expertise is better to just make a decision on

the spot. In others where time is not an issue, there is a need for buy in from others, there is a high level of ambiguity and high risk from the decision, a formal process may provide better results. It is important that decision makers have clear objectives or, they may be guided by variables that lead to an outcome not aligned to the organisation's goals (Patten, 2010). Researchers have revealed that there are many variables that affect decision making such as the quality of decision required, the time available to make a decision, if third party buy in to the decision is required, and the magnitude of the outcome of the decision (Carpenter & Westphal, 2001; Vroom & Jago, 2007).

The key studies that relate to risk taking and the effect that time has upon such risk taking (Kirchler et al, 2017; Wegier and Spaniol, 2015) in relation to decision making appear to be inconclusive, at least in relation to the effect that time has upon board decisions. One of these studies (Wegier and Spaniol, 2015) compared the results of time constraints upon decision making in description-based decision tasks and such time constraints were shown to have mixed effects upon decisions made where risk taking seemed to be not affected by experienced based decisions.

Corporate boards will normally vote on a decision using a simple show of hands after a discussion has occurred (Malenko, 2013), however, this same study goes on to suggest that the use of a secret ballot may be beneficial. The inference seems to be that an open ballot allows control of decisions to occur. As boards normally like to achieve a consensus of opinion due to their vicarious nature (Mallin, 2013; Tricker, 2015) board votes using a show of hands may not be all bad as it would appear to be in the interest of all concerned to have their differing views addressed. Evidence of this is provided by Van Puyvelde et al (2018) who, in their description of methods that relate to the chair's ability to improve a not-for-profit board's effectiveness; selecting a chair who can build consensus amongst board members. Building of such consensus would be impossible if a board had a less visible means of voting such as a secret ballot.

An apparent need for consensus brings potential costs with one of these occurring when all parties to the decision attempt, intentionally or not, to reflect the group dynamics. This aspect may be a misguided attempt to reflect the wishes of the group

and is known as the Abilene paradox and results in a decision that all have participated in and yet possibly none are content with (Quinn et al, 2007). The best way to avoid the Abilene paradox is the presence of some level of cognitive conflict (De Dreu & Weingart, 2003; Parayitam & Dooley, 2011).

Political bargaining, a term borrowed from the behavioural theory of the firm (van Ees et al, 2009) and coalition building (Sampson and Daft, 2009) both describe phenomena in which either external or internal powerful coalitions will impact on the ways that decisions are made and that lead to satisficing, routinisation or bounded rationality (van Ees et al, 2009) all of which have the effect of reducing the quality of board decisions. The satisficing, routinisation or bounded rationality behaviours all have the same effect; they prevent quality in depth discussion that provides proper exploration of the topic for the decision, leading to a decision that is more in the interests of the coalition.

The size of the organisation also seems to play a part in the ability to make decisions. In a qualitative study of thirteen Australian companies, it was found that smaller organisations were lacking in the development of decision alternatives (Hang & Wang, 2012). If poor decision making is linked to interference with the rational process as the examples outlined would seem to suggest, there can be little that can interfere more than an individual's personal values or history in relation to their ability to decide.

Adding to the problems faced by decision makers is the concept of *noise*. Noise is described by Nobel prize winning psychologist Daniel Kahneman (British Broadcasting Corporation, 2021) as the "variability of error" (no page number) which causes different people to make different decisions based upon the same information. Kahneman goes onto describe the work of judges and physicians who, when hearing the same evidence, will reach a different conclusion.

3.6 Personal values and history effect

Events of the past seem to have some bearing on the decision making of the future. The past history of the organisation/individual's experiences is shown to have an

effect on the strategy of smaller organisations (Amason & Mooney, 1999; Kauer et al, 2007; Papenhausen, 2006). These organisations are shown to be at a disadvantage in relation to decision making as the views of even their top managers are shown to be influenced by their generational membership or other personal characteristics or experiences (Balta et al, 2010, 2013; Steptoe-Warren, Howat, & Hume, 2011). The decision making ability of organisations is shown to be affected by the past context in which decisions relating to the future are made (Amason & Mooney, 1999; Kauer et al, 2007; Papenhausen, 2006). An example of the past influencing a decision of the future could be provided by a director who lost personal wealth during the collapses of financial markets during the GFC. This director may now be overly risk averse to their organisation investing capital in similar markets due to fear of repetition. Hillman et al (2008) inform that "board room behaviour and that the strength of identification with any given identity will predict a director's monitoring and resource provision" (pp 51). If the findings that the experiences of the board are indeed the sum of the experiences of the individual members (Hillman et al, 2008) then it can be expected that these past experiences will have some bearing upon future decision making by the board.

Not only are board decisions affected by the personal history of the directors who make the decisions but also by the values of the corporation concerned (Maharaj, 2008). Indeed, some organisations place such weight upon their corporate values that any decision made without taking these into consideration could be disastrous for the organisation concerned. The Hermes principles (Mallin, 2013) described earlier in Chapter 2 is one example of an organisation that requires its values or principles to be taken into account if investment from this organisation is required. Other organisations may place such value upon environmental sustainability that they are unable to form commercial relationships with bodies that do not share this view. Corporate values that foster the need for heterogeneous boards and that are aware of the dangers of groupthink (Maharaj, 2008) are argued to provide the context for better decisions.

Values can be created by emotions and visceral behaviours in leaders such as the chair or CEO and such values are shown to colour the lens through which the decision maker views a decision have a negative effect upon decision making abilities. Four

forms have been identified, all of which have a negative effect (Shear, Kakabadse, & Kakabadse, 2013). The four forms are described as: the immature leader, the stubborn leader, the weak leader and the unpredictable leader. The immature leader is impulsive and often driven by their emotions. The stubborn leader is also impulsive but is also driven by rational incentives. The weak leader, whilst being rationally driven, like their stubborn relative, is a weak decision maker and the unpredictable leader who is driven by emotion as well as being a weak decision maker. Whilst their study examines only a very small sample, it does seem to support other research (Balta et al, 2010, 2013; Steptoe-Warren et al, 2011) and although unable to suggest a means to prevent visceral behaviour, if in fact it can be prevented, does recommend awareness of self and others for its appearance. As well as the effect that personal or organisational values or history have upon the decisions made there is also research suggesting a link to the speed at which such decisions are made (Wally & Baum, 1994). Speed in decision making is not relevant to this study as board decisions are typically considered over time.

In one of the few studies that used primary observed data and qualitative methods to examine boards, Brundin & Nordqvist (2008) provide a valuable insight into the effects that emotions have upon board members. Their study, whilst targeting CEO's claims to also relate to other board members and whilst only based upon observations of two board meetings would seem worthy of further investigation. This research used a longitudinal study to explore how the emotional effects similar to those affected by the organisational life cycle (Huse & Zattoni, 2008) affect the CEO's in question in relation to their power and ability to influence the board (Brundin & Nordqvist, 2008).

Several other important findings were discovered by Brundin & Nordqvist (2008) and although these will require further substantiation, they provide a good base for research within the not-for-profit sector in relation to boardroom decisions. The study found that the board members' emotional energy level is related to their power level and that board members with high levels of emotional energy are order givers, as their emotional energy level drops so does their power level. In addition, both positive and negative emotional energy is stored in a "bank" for later use. Once a board member has their emotional energy drained, such as in the case of public loss of face in the boardroom, that board member will be in a lower power position at the next meeting

due to this emotional banking effect. It seems that experienced board members may well be aware of the extended detrimental effects of negative emotional energy and will, by skilful use of language in the board room avoid placing fellow board members in such a position (Samra-Fredericks, 2000a). In the board room at least; winning an argument is important, but winning and leaving your opponent emotionally intact may be even more important to avoid a dysfunctional board. A third important discovery made by (Brundin & Nordqvist, 2008) was that "a board member who is expecting to be serviced but falls into a low energy state allows himself to become controlled" (pp 337). The implications of this are that the board member will now no longer be able to make impartial decisions.

3.7 Diversity and decision making

All boards need to seek diversity (Kauer et al, 2007) in order to avoid the negative affects described in Chapter two. An extreme example of these negative affects is the case of a single business owner making decisions on their own and having those decisions highly dependent upon the capabilities of themselves as a key individual (Hang & Wang, 2012). To outsiders, boards may appear to be homogeneous in their operation however in one of the few studies that have actually observed the workings of boards Samra-Fredericks (2000a, 2000b) it was discovered that in the small sample group studied (two boards of public companies) there were many subtle differences at both the intra and inter board levels.

Differences at the intra board (within the board) level included the level of participation in discussions demonstrated by the different individuals. At the inter board (between different boards) level there was variation in the desire to increase the level of participation of the members through turn taking compared to that of the other (Bezemer, Nicholson, & Pugliese, 2014). This study of three Australian boards over six meetings found meetings that had similarities such as the level of preparedness, providing notes and agendas in advance and having standard items as well as an action list and on a behavioural level, one director dominating each area of a discussion. The study describes differences relating to the level of involvement that different directors had on different subjects and also to the perceived level of participation that directors reported. The study shows that whilst some meetings were

structured so that directors each took turns in speaking on a given subject, others did not, which left some directors feeling they had not been given adequate time to present their views. Another major variation reported in this study related to the time allocated for board meetings with some participants stating they felt unable to adequately present their views in a group that also had the shortest meetings (Bezemer et al, 2014).

Another factor related to the impact of diversity on decision-making was found by Huse & Solberg (2006), who report that women in minority positions on boards reporting a need to not be alone and that alliances with other women, even if informal provided opportunities to reduce feelings of exclusion and therefore one might argue, emotion, thereby improving decision making quality.

3.8 Observational boardroom studies

In spite of calls by researchers for studies observing boards, there are few that do. Table 3 show the studies that have been conducted using observational methods of boards. As can be seen from the small cohort even fewer relate to the not-for-profit sector and none of them relate directly to decision making within that sector.
The need for new research into boards is well described by Samra-Fredericks (2000a, 2000b) who, for their research gained a high level of access to a UK board to the level that they were even permitted to audio and video record proceedings.

The term "black box" has been used in the literature (Payne et al, 2009; Coombes et al, 2001) to describe the difficulty in gaining access to boards for observation so it is of little surprise that the amount of primary data in this field is so small, however if we are to ever open the black box, it would be very insightful (Huse & Zattoni, 2008; Machold & Farquhar, 2013; van Ees et al, 2009). So difficult have many researchers found gaining access to boards that it is the sole topic of research by Leblanc & Schwartz (2007) who list direct mailing, university guest lecturing, utilising a gatekeeper, and leveraging access via prior access as their recommended methods to attempt to gain access.

In the cases that have gained intimate access to boards it seems that some prior contact was key, with Parker (2007, 2008) already serving as a board member on the boards studied and Huse & Zattoni (2008) gaining access through government leverage. It is interesting to note that a limiting factor described by Machold & Farquhar (2013) was the dominance of not-for-profit boards amongst the samples used in their study and this may be due to the comparative ease with which access may be gained to this type of board. This dominance of not-for-profit organisations described in this one study (Machold & Farquhar, 2013) is not representative of other research as shown in figure 3. In one study based upon primary research, one of the researchers went to the extraordinary lengths of becoming chairman of the board of a company in order to access the "soft and invisible" data (Huse & Zattoni, 2008).

The two methods of observation described by Huse & Zattoni (2008) are those of the "fly on the wall" and "one of the lads" and although recognising the limitations of both methods, utilised both in order to get a better view of the boards activities. The "fly on the wall" method requires the researcher to have no direct involvement and simply observe. The "One of the lads" methods understands that due to circumstances the researcher may have to actively participate while trying to remain unbiased in their reporting. The potential negative implications of both of these methods are that the bias of the researcher may influence the proceedings. Another potential negative of these methods is described by researchers (Parker, 2007, 2008; Huse & Zattoni, 2008) who used it was reflected bias, a situation where the subject becomes aware of the bias of the researcher and changes their behaviour as described by the authors however the richness and quality of the data collected coupled with the accepted difficulties in gaining access to observe board processes negated this small risk. Two of the very few studies of not-for-profit boards that have utilised primary research (Parker, 2007, 2008) were conducted using qualitative methods on two Australian trade associations. One of these studies reports that Australian not-for-profit boards consider strategic thinking as one of their most important roles, however the other study concerningly concludes that, at least in the study sample, strategising by the board was only undertaken on an ad hoc basis and that strategic plans were used more for "ceremonial or comfort reasons" (Parker, 2007).

Although a substantial amount of research supports at least some amount of cognitive conflict being used as a catalyst to increase a board's decision making quality (Quinn et al, 2007; Rodríguez-Ponce & Pedraja-Rejas, 2012; Saxton, 1995; Heemskerk et al, 2016), it appears that one commonality between not-for-profit and for profit boards is the aversion to conflict regardless of its merits (Schwenk, 1990). As a result, boards may be wise to limit conflict of any type as suggested by Parayitam & Dooley (2011) particularly if the chair is inexperienced in recognising the affective form. Fortunately for Australian not-for-profit boards it seems that as much strategy is developed informally as it is formally (Parker, 2007) and this aligns with the findings of informal decision making in relation to paid boards (Huse & Solberg, 2006).

An additional observation (Parker, 2008) is that the not-for-profit directors showed "signs of absorbing the commercial language and concerns of the corporate sector" and that "the triggers for and shaping of the exercise of control by directors lie more strongly in their own familiarity with the organisation" (pp 85). Not-for-profit directors absorbing the concerns and the commercial language of the corporate sector will surely be controversial as many see the not-for-profit sector as an arena that should not be focused on profitability. With society now expecting higher levels of governance from not-for-profits, the position of board member seems to need to evolve to match this expectation. In years gone by, particularly in relation to the smaller not-for-profit boards, all that may have been required of a board member was a desire to help. Attention should be paid to the type of board member selected as Coombes et al (2011) found a positive relationship between the entrepreneurial orientation and social performance of a board within a not-for-profit.

As previously discussed, society now expects that a modern not-for-profit organisation will be well managed by a competent CEO and be well governed by a competent board. This competency as well as being required by modern legislation (Government of Western Australia, 2015; Australian Government, 2001) has the added advantage of improving the image and credibility of the organisation in the eyes of its stakeholders (Viader & Espina, 2014; Cordery, 2013) and will greatly assist such an organisation in its quest for scarce resources. A simple and yet possibly controversial solution may be to rename profit as surplus and agree to use that surplus

to further the mission of the organisation or to allow it to build up in the form of a cash reserve that could serve the not-for-profit well in times of financial stress.

Figure 3. Studies conducted using observation of boards

(Source: author's own work)

Author	Board type	Board location	Topic
Samra-Fredericks (2000)	Private company board	UK	Boardroom routine
Huse et al (2005)	Co-operative board	Norway	Boardroom dynamics
Parker (2007)	Trade association board	Australia	Boardroom strategising
Leblanc & Schwartz (2007)	Private company board Government board Not-for-profit board	Canada	Boardroom processes
Brundin & Nordqvist (2008)	Private company board	Sweden	Emotions in boardrooms
Huse & Zattoni (2008)	Private company board	Norway	Boardroom behaviour
Parker (2008)	Trade association board	Australia	Boardroom control
Machold & Farquhar (2013)	Private company board	UK	Boardroom task evolution
Shear et al (2013)	Trade association board	UK	Boardroom behaviours
Crow & Lockhart (2014)	Private company board	New Zealand	Boardroom governance
Bezemer et al (2014)	Public company board	Australia	Boardroom interactions
Crow et al (2014)	Public company board	New Zealand	Boardroom strategic decisions
Pugliese et al (2015)	Public company board	Australia	Boardroom dynamics
Heemskerk et al (2016)	Private company board	Netherlands	Boardroom conflict
Mori & Charles (2018)	Family business board	Tanzania	Boardroom processes

Another key finding from observational research (Parker, 2008) is that that "the triggers for and shaping of the exercise of control by directors lie more strongly in their own familiarity with the organisation" (pp 85). This finding relates to the director's own knowledge of the operational workings of the organisation and this familiarity with the organisation may well be the cause of some claiming that non-executive directors are less able to participate in the more operational aspects of the board. This finding may also explain why some researchers (Tricker, 2015) suggest a balance between the numbers of executive and non-executive directors.

As previously noted, it is not uncommon for boards to insist upon members or at least a percentage of board members having some form of lived experience as a consumer of the service being offered (Johnson, 2011; Australian Broadcasting Corporation, 2016). As previously stated, with most not-for-profit organisations having boards

made completely of non-executive directors it would be expected that they are more subject to a lack of operational knowledge than the for-profit sector, however this can be minimised in organisations who have a percentage of board members having some form of lived experience (Australian Broadcasting Corporation, 2016).

Parallels exist here between the not-for-profit and for profit world in relation to board member experience in the organisation's field and methods of operation. The not-for-profit world can minimise the negative effects by recruiting board members who possess lived experience, akin to the for-profit world's requirement for executive directors who can be expected to have a good understanding of the workings of the organisation (Zhu et al, 2016).

Non-executive directors in both the for profit and not-for-profit fields are generally more concerned with governance and strategic planning (Dulewicz & Herbert, 1999) than management (Mallin, 2013; Tricker, 2015), however they may lack the expertise relating to the organisation that is demonstrated by their executive counterpart. Even the UK's Cadbury Code (1992) (Dulewicz & Herbert, 1999; Mallin, 2013; Tricker, 2015) suggests having some, but no more than three, board members who lack in depth organisational knowledge such as independent or non-executive directors. It appears that good governance alone is not enough and that both types of organisation require knowledge of the sector in which the organisation operates as well as knowledge of the organisation (Pandya & Bathala, 2013). A not-for-profit board made up of members with little or no lived experience risks mimicking their for-profit counterparts who have demonstrated that overdependence upon board members lacking operational experience can be value reducing for the organisation (Harris and Raviv, 2006).

A further study by Parker (2007) concerns the propensity of the observed not-for-profit directors to keep switching between strategic and operational issues, sometimes unconsciously. Whilst much of Parker's work (2007) does relate specifically to the not-for-profit sector and the Australian context, it does only use a very small sample (two Australian boards), both within professional associations, which may not be representative of the whole not-for-profit sector.

As discussed in Chapter two, boards are responsible for overseeing corporate governance and setting the strategic direction of the organisation as well as monitoring its performance to ensure alignment with its strategic plan. Boards are not a part of management but rather oversee management through the appointment of a Chief Executive Officer (CEO) (Tricker, 2015) and if the finding (Parker, 2007) that not-for-profit directors switch to operational issues, sometimes unconsciously is true of the wider picture, problems with the CEO are likely to occur. As discussed in chapter two not-for-profit staff tend to be motivated by values other than monetary, and alignment of values between the organisation and its managers will trend more towards a stewardship / principal relationship (Vallejo-Martos & Puentes-Poyatos, 2014; Vallejo, 2009). This trending is likely to occur due to the affective component of commitment, which results in better overall performance (Vallejo, 2009). Interference by the board may be seen as a lack of trust or concern over ability by the CEO and therefore have a negative impact upon the stewardship / stewardship / principal relationship.

3.9 Development of propositions

Having reviewed the existing literature, four propositions were developed in order to better define the information sought from the participants and also to better align the interviews with the observational stage of the research. The propositions developed were:

1. Information and the timing of the presentation of this information are key to board decision making. This proposition relates to research question 1.
2. Not-for-profit board members believe that a skills diverse board makes a better-quality decision. This proposition relates to research question 2.
3. Mature boards are comprised of members who are selected to reduce the board's susceptibility to the effects of groupthink. This proposition relates to research questions 2 & 3.
4. The role of the chair has a significant effect upon how board decisions are made. This proposition relates to research question 1.

Proposition one, that information and the timing of the presentation of this information are key to board decision making was developed based upon the evidence

that in order to make a good decision a board is totally dependent on being provided accurate information (Maharaj, 2008). Proposition one is therefore that *information and the timing of the presentation of this information are key to board decision making.*

Proposition two, that *not-for-profit board members believe that a skills diverse board makes a better quality decision* evolved as skills diversity has been shown to be sought by boards in relation to the range of skills and expertise possessed by their membership and there is a substantial volume of literature supporting this (Daily & Dalton, 2003; Robbins, Judge, Millet, & Marsh, 2008; Stone, 2008).

Boards need a good diversity of skills to make good decisions (Tricker, 2015) and many boards maintain a director's skills matrix to ensure that during recruitment, directors are selected who meet the required skill and experience requirements to fill gaps in board expertise as well as reducing the risk of nepotism (Maharaj, 2008). Organisations that promote general diversity within their own ranks such as BHP Billiton and Blackrock claim better decision making, lower injury and better engagement rates (Ames et al, 2018). Proposition 2 is therefore that *a skills diverse board makes a better decision.*

Proposition three that mature boards are comprised of members who are selected to reduce the board's susceptibility to the effects of groupthink. This proposition was developed due to its well documented effects upon decision making, particularly due to its prevalence when there is a desire to reach consensus within a group (Robbins et al, 2008; Houghton, 2015) as is often the case with a board (Maharaj, 2008). Proposition 3 is therefore that *mature boards are comprised of members who are selected to reduce the board's susceptibility to groupthink.*

Proposition four, that the role of the chair has a significant effect upon how board decisions are made, was developed because the role of the chair is both important to the effective operation of the board and has potential to influence board decisions. The importance of the role of the chair has already been explored in the existing literature (Mallin, 2013; Harrison et al, 2013). The chair is responsible for running the board (Mallin, 2013) and Van Puyvelde et al (2018) describe the chair as having the

ability to improve a not-for-profit board's effectiveness. The role of the chair can also have a direct affect upon board decisions as demonstrated by Wilhelm (2012) who investigated the effects of obedience to authority on a board and found that "the results seem to indicate that obedience to authority can have a profound influence on decision makers to support unethical behaviour in a group setting" (pp 27). Proposition 4 is therefore that *the role of the chair has a significant effect upon how board decisions are made.*

3.10 Chapter three summary

Poor decisions are a primary cause of organisational failure. Even if the board does not make all major decisions, it will normally have to ratify decisions at some point so a good decision-making process is vital. Current literature (Lyons et al, 2003; Simon, 1979; Whittier et al, 2006) informs us that if boards plan to use a model, then it must be both simple and be workable. For most rational decisions, the type a board will be facing, models seem to follow a path along the lines of identifying the problem, identifying critical aspects and allocating weight to these, developing alternative solutions and evaluating these and then selecting the best of the alternatives.

Information of the appropriate quality and volume presented at the correct time seems to be the key to any good decision and it is important to remember that the personal history of both the individuals making the decision and the organisation will have a bearing upon the outcome. If it is not possible to eliminate groupthink by careful board member selection and board process, then the chair and board as a whole do need to be aware of the possible effects that it may have had upon the outcome. Conflict can be positive and cognitive conflict is encouraged as it can create a richer decision process. Affective conflict, however, is to be avoided as it can negatively affect a board and an inexperienced chair may be better to avoid use of conflict as a tool if unsure how to control the process.

In relation to existing research, most has been undertaken by analysis of historical board documents and there is an identified need for research to be conducted by observational means in order to provide new insights. The few observational studies that have been conducted have shown that time wasting occurs during meetings when

material has to be studied in a meeting where it could have been studied in advance. It is also clear that board members and in particular the chair need to be skilled at discussion in order to avoid a zero-sum discussion where one side is leaves felling defeated and possibly embarrassed, an effect that will reduce the ability of that board member to contribute fully at later board meetings. This chapter has shown that development of strategy occurs outside the board meetings as much as inside and that boards can develop a habit of interfering with operational issues, something that should in the case of a not-for-profit board be left to the executive management team.

Chapter four: Research methodology

4.1 Epistemological approach

This study sought to discover how the boards of not-for-profit organisations make decisions and uncover the various considerations that may affect such decision making. Within the social sciences, multiple paradigms, that is to say sets of philosophical values, exist relating to how the world is seen (Veal, 2005; Yin, 2014; Miles et al, 2014). These needed to be explored by this study in order to ensure that the assumptions held aligned with the relevant methods adopted for the study (Saunders et al, 2012). Based upon the pragmatist philosophy chosen for this study, qualitative methods offered the best means to discover the reasoning held by the differing individuals studied. Pragmatism relates to a means of enquiry which focuses upon the outcome rather than the antecedents (Creswell and Poth, 2018). A pragmatic approach is recommended (Creswell and Poth, 2018; Saunders et al, 2012) when used, as in this study, to provide a practical solution to a problem: how to make better decisions. The pragmatist uses the most appropriate methods to answer the research questions and therefore often uses, as in the case of this study, a mixed methods approach.

The research methods used by this study were selected due to the epistemological position of the research and the nature of the research project. An epistemological position describes the view that has been taken on knowledge and how and why one views things in the manner we do (Saunders et al, 2012; Yin, 2014). The first paradigms explored were those of the positivist and interpretivist philosophies. Positivists contend that phenomena can be observed objectively and deal with things how they are or at least how they see them as being (Veal, 2005). Positivist researchers seek to explore this reality through observation. In contrast, the interpretivist paradigm subscribes to the notion that phenomena are subjective and therefore are viewed differently by different people or in different circumstances.

Interpretivists try to see things how they may be (Veal, 2005) and attempt to explore the subjective (Liamputtong, 2013). The study commenced with the positivist position firmly entrenched in my mind as the right way to view phenomena. After completing

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the first two or three interviews reflection did cause me to notice a marked variation between how differing individuals perceive the same event it became clear to me that a different approach was required for this study.

The terms positivist or realist and interpretivist infer differing epistemological positions (Yin, 2014), Yin does suggest that that they may be used in conjunction in the case of an interview offering a perspective of what is as well as what could be when relating to the quantitative and qualitative aspects of the study. Failure to acknowledge the differing perspectives that exist within the qualitative world in particular is summed up by Saunders et al 2012 pp 136 in their likening of the subject to a game cricket where one umpire "call it how it is" *positivist* and one "calls it how he sees it" *interpretivist*.

As such I adopted a pragmatic epistemological position in this study, which allowed for a practical approach to data collection and provided the ability to work with qualitative data (Creswell and Poth, 2018). The selection of the pragmatic epistemological approach used for this study enabled the study of both the how and why the boards make decisions as required in order to address the three research questions of the study:

1. How do boards not-for-profit organisations make decisions?
2. Does the background of a director affect how they make a decision?
3. How can a board select directors who are less likely to be subject to group think?

As very little prior research is available in this field, an abductive approach was adopted as it was better suited the exploration of ideas generated by the exploratory research and built or added to the available body of theory on this subject while allowing for new ideas to emerge from the data (Creswell and Poth, 2018; Saunders et al, 2012). An abductive research approach, described by Saunders et al (2012) as an approach that collects data, and uses the data collected to either add to existing, or create new theory, and then retests this new theory by further data collection. This approach was used as little research has been conducted in this field and new theories are needed. By contrast, an inductive approach is one where the research is based

upon data for the purpose of developing a theory or a deductive approach where the researcher uses data to test a theory (Saunders et al, 2012).

Ultimately this research sought to answer a practical real-world question how do boards of not-for-profit organisations make decisions? A real-world problem requires the choice of the best method to present a solution and for this study a pragmatic inductive philosophical approach was considered most appropriate.

4.2 Methodological choice

Previous research relating to boards has generally been conducted by historical document analysis (van Ees et al, 2009). Van Ees et al (2009) suggest that historically board research has been done using archival data and recommend that future board research be carried out using first hand empirical data. Van Ees et al (2009) recommend data collection from sources such as questionnaire surveys, interviews and participant observations, ideally with longitudinal data from multiple respondents. The decision to use qualitative methods for this study was based upon the suggestions made by several researchers to enable a better understanding of reasons behind the quantitative data and in the case of this study; how and why decisions are made why did they suggest qual methods and how does this aspect relate to your particular research (Finegold et al, 2007; Wan & Ong, 2005; Dulewicz & Herbert, 1999; Payne et al, 2009; Tricker, 2015; van Ees et al, 2009).

Initially the study planned to examine how boards made decisions by a review of historical board documentation such as board meeting minutes, observation of board meetings and interviews with individual board members. The research design planned for this study required considerable modification due to the difficulty encountered gaining access to boards. It quickly became apparent that the very small numbers of studies that have been conducted using observational methods was due to the extreme level of difficulty encountered in gaining access to the boards. Boards have been described as corporate black boxes (Payne et al, 2009; Coombes et al, 2001) due to their unwillingness to agree to being studied by observation and as a result the observation of boards as a research method has been labelled (Samra-Fredericks, 2000) as "the impossible method" (pp 245). Initially it was felt that due to the

researcher's background in governance and the nature of the study, access would be possible due to the researchers' personal contacts and experience. The nature of the not-for-profit organisations also provided a greater hope of access due to the perceived less sensitive nature of the meetings.

After several rejections including - much to the researcher's surprise - even the board on which the author served; it became apparent that the "impossible method" was well named and a new research design would be required for this project to progress. The study was able to gain permission from several individual board members from different boards for their participation in one on one interviews and whilst this was a deviation from the original plan it did facilitate data collection. It was at this point, after several board members had completed interviews, that permission was gained by one of the participants, the incumbent chair of the board on which the researcher served, for observation of board meeting as part of the study and design of a new research design, one that used mixed methods (Creswell and Poth, 2018) was commenced.

The methodology for this study now required face to face interviews with multiple members of multiple boards and observation of at least one board to confirm the findings in practice. Both the use of semi structured interviews and direct observation have been used in previous board studies (Bezemer et al, 2013; Shear et al, 2013; Leblanc & Schwartz, 2007) and are therefore proven methods for investigating board behaviour.

4.3 Interview methodology

The interview method of qualitative research seeks to create an atmosphere that leads to the kind of intimacy that permits mutual self-disclosure. This method is also known by other names such as the semi structured interview, the in-depth interview, the long interview or the intense interview (Liamputtong, 2013; Saunders et al, 2012).

Liamputtong (2013) suggests an interview process consisting of: preparation of an interview guide, determining the location for the interview, recording the answers and preparing for transcription. A similar although slightly more detailed process is given

by Creswell and Poth (2018) and this process that formed the basis for this study. The interview process used by this study is now described in detail and depicted in figure 4.

Determining the research questions:

Research using semi-structured interviews, interviews which are guided by a pre-written series of questions, was selected as the most appropriate method for undertaking this study because it allowed the interviewer to see the world from the interviewees point of view (Liamputtong, 2013). Interviews were conducted with members of not-for-profit boards in order to obtain a wide sample of board members' views and an in-depth understanding about the way board members approach decision making and draw on many different aspects of group behaviour in a formal and informal setting.

Figure 4. The interview process used by this study

Source: Creswell and Poth (2018)
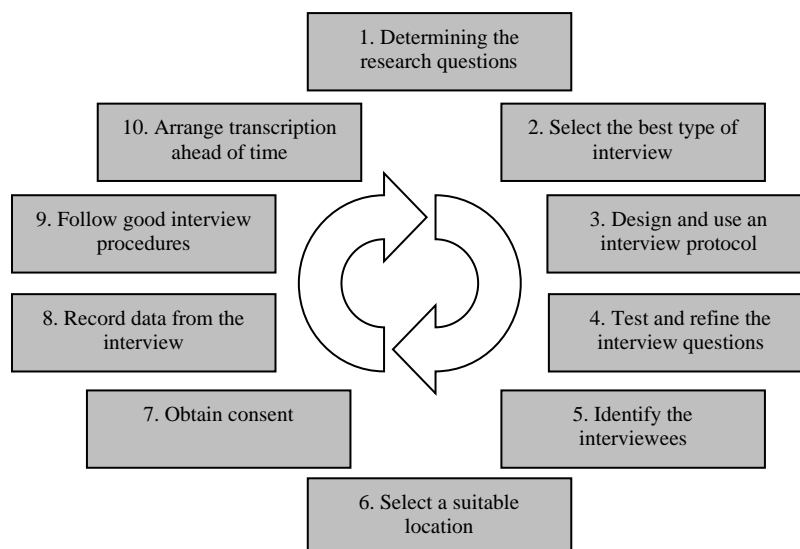
Select the best type of interview:

Creswell and Poth (2018) describe the various types of interview as being: face to face in the same room, face to face using technology or talking over the phone. The type of interview used for this study was face to face in the same room. Yin (2014)

describes the type of interview used for this study as a "shorter case study interview" (pp 110) and deems it as appropriate due to the lack of extended timeframe required as well as the need to stay focused upon a relatively narrow band of questioning. The interview style used is also supported by Veal (2005) who describes the method as suitable when the data obtained from the interview is expected to be of a complex nature.

Design and use an interview protocol:

The interview protocol or guide for this study was prepared in advance and is described below. An interview guide should be prepared that outlines the main questions seeking answers, however, this should only be a guide and that the interviewer does not need to follow it to the letter in a qualitative interview (Liamputtong, 2013).

Test and refine the interview questions:

Live testing of the interview questions and procedures occurred during the first few interviews and modifications were made as required. Live testing involved use of the interview tool initially created with modifications being made to it ad hoc. One such modification was the allocation of time for the participants to read through the interview questions to enable them to be better prepared to answer. This did not happen during the first few interviews with the subjects appearing to feel that they were being tested as a result. The three research questions that this study sought to answer were: How do boards of not-for-profit organisations make decisions? How does the personal background of a board member affect how they make a decision? And, how not-for-profit boards can improve their frameworks for future decision making? Figure 5 describes the interview questions that were designed to address these.

Identify the interviewees:

After consultation with several members of different boards, permission was obtained from individual board members to commence a study using face to face interviews (Bezemer et al, 2013) to discover the individual board members perceptions of how boards make decisions. Greater detail on the selection of the interview subjects is presented in the section dealing with sampling.

Select a suitable location:

Each participant was interviewed at a different location, one that suited the needs of both the interviewee and the logistical and quality needs of the study. Whilst many interviews took place at the subject's place of work some occurred at their home or even suitable cafes. In the case of the interviews conducted at cafes, coffee and cake was provided by the researcher.

Obtain consent:

All participants in this study were provided with a participant information statement and provided the researcher with a signed participant consent form as part of their informed consent. Greater detail on consent is provided in the section dealing with ethics.

Record data from the interview:

All interviews were audio recorded with the permission of the subject. Written notes were also made by the researcher.

Follow good interview procedures:

Poor interview procedures will lead to data quality issues such as reliability, bias, generalisation and validity (Saunders et al, 2012). Bias can come in many forms such as the holistic fallacy, elite bias, personal bias and going native (Miles et al, 2014). The holistic fallacy is described by Miles et al (2014) as placing to much empahiss upon results than they deserve or trying to tie off losse ends. They go onto describe the elite bias as placing too greater emphasis upon high status participants, personal bias as being results skewed by the researchers personal agenda and going native as the researcher loosing their own perspective, possibly being coopted into the views of the subjects. Veal (2005) suggests avoiding having the interviewer agreeing to much with the answers provided regardless of their own opinion and not leading questions when seeking a reson behind an answer.

This study took many of the steps recommended (Miles et al, 2014. Pp 294) in order to avoid bias such as: checking for representativeness, checking for researcher effects, triangulation and weighting the evidence. Representativeness

was accounted for by careful selection of participants and boards that were representative of the study cohort and taking care when making generalisations or inferences based upon the sample. Researcher effects were limited by the use of the same researcher for all interviews and observations with triangulation by observation used as a final check.

Reliability was addressed by this study by use of the one researcher for all interviews and a standard set of open-ended questions for all subjects. The manner in which the interview questions were presented to the interviewee seemed to have a significant impact upon the depth of information provided in the answer. For the first few interviews the researcher, after a self-introduction, some pleasantries and completion of the participant consent record commenced asking the questions.

It quickly became apparent that the respondent felt that this was a test and several participants, at the end of the interview asked if they could revisit some of the earlier questions to clarify what they had said. The difference in the depth of answers provided when the participant was provided with the questions ten minutes before the start and allowed to read through was noticeable. Not only did the apparent comfort level of the participants improve but also the time taken to complete each interview reduced by about half due to the more concise nature of the responses. These variations to the responses appeared to have little bearing upon the richness of the data collected but did seem to remove the apparent need for the respondent to talk for the sake of talking. A more considered response seemed to be the result.

Arrange transcription ahead of time:
Transcription was conducted by a third party immediately following the conclusion of each interview. It is important that transcription and checking occurs soon after each interview in order to reduce the number of errors caused by misinterpretation of partial sentences or mispronounced words (Miles, 2014). Once transcribed the content was then checked by the researcher for accuracy.

4.4 Interview design

Three core questions were asked of respondents with each having several sub-questions designed to probe deeper into the respondent's perception of board decision making. Questions were designed to be both open ended and semi structured. Open ended questions draw out large amounts of information and stimulated conversation. Whilst semi structured questions guide the topic of the conversation, they do not create boundaries allowing the interviewee to say what they think is important however they were based upon the original research questions.

The face to face interviews occurred over about a year and a half and were conducted one on one with only the research subject and researcher present. The locations varied to help accommodate the needs of the subjects but all occurred in an environment where background noise and other distractions were minimal. About half of the interviews took place at cafes. An opportunity arose to conduct one interview with a board member from a UK board and although working within a slightly differing framework this opportunity was taken as it also provided an alternative view. Where possible, interviews were limited to about half an hour to reduce reflected bias (Yin, 2014). Reflected bias can occur when the research subject starts to recognise any bias that the interviewer may have and then directs their response towards this bias in order to please the interviewer.

Figure 4. Research question/interview question relationships

(Source: author's own work)

Research question one	Research question two	Research question three
How do boards of not-for-profit organisations make decisions?	How does the personal background of a board member affect how they make a decision?	How can a not-for-profit board improve their framework for future decision making?
Research question one sub question A	**Research question two sub question A**	**Research question three sub question A**
Thinking about the not-for-profit boards that you have been involved with can you please describe how they make decisions?	Have you found that the personal background of a board member affects how they make a decision?	How well do you think that your board makes decisions?
Research question one sub question B	**Research question two sub question B**	**Research question three sub question B**
What do you see as the main factors that affect how a decision is made by a not-for-profit board?	How would you describe your own background?	How well do you feel that your board's decision-making process compares to other boards that you are familiar with?
	Research question two sub question C	**Research question three sub question C**
	Can you give me any examples that you have witnessed?	Have you given any thought as to how the decision-making process could be improved?
	Research question two sub question D	
	How do you feel that the outcome was affected?	
	Research question two sub question E	
	Can you give me any examples where your own personal background has influenced how you have made a decision?	

4.5 Participant observation methodology

Of the board members interviewed, several sat on one board, which was the same board as the author. Once several members of the same board had participated, they became more comfortable with the idea of board observation for the study and finally permission was obtained from that board via the incumbent chair for direct observation of board meetings to observe firsthand the decision-making process.

Observation of the board meeting was vital in order to illuminate the findings discovered during the interviews as well as providing a means of triangulation to discover if the processes uncovered in the interviews were actually those used in practice (Woodside, 2010). Observation of participants is a key tool for collecting qualitative data (Creswell and Poth, 2018) and can be accomplished as either a complete participant or complete observer where the researcher is fully engaged or fully disengaged with participants.

The same methods are described by Creswell and Poth (2018) who vary the terminology slightly and use the terms of participant or non-participant observer (Creswell and Poth, 2018). A participant, due to their level of participation is subject to creating a certain level of bias but may become more accepted by the subject or subjects. It should be noted that the author was a member of the board of the not-for-profit organisation used for this study, however, tried to exclude himself as much as practicable from guiding the process used for decision making on this board despite being elected as chair about half way through the observational stage of the study. Further commentary on the authors' personal involvement is given the section 4.11 on reflexivity.

The requirement for personal involvement of the researcher was unexpected but also unavoidable and not without precedent as it was also the case in Huse & Zattoni (2008) who argue that it is worth the cost of sacrificing some small amount of rigour to actually be able to conduct the study and access the "soft and invisible" data (pp 79). The two methods of participant observation described in this study are those of the "fly on the wall" and "one of the lads" (Huse & Zattoni, 2008; Parker 2008). The fly on the wall method relies upon the researcher having no input whatsoever and

simply recording what happens. The fact that the author was a member of the board meant at least some form of involvement in the decision-making process used by that board regardless of the intent to remain passive. Due to this the "fly on the wall" method was considered unsuitable. The "one of the lads" method assumes the researcher is just that, one of the lads (board members) and is involved with the process to level required but still records the events with impartiality to the extent to which they are able and it must be noted that some bias, although unintentional must be present.

This study by necessity required the researcher to become one of the lads (Huse & Zattoni, 2008). The "one of the lads" method was also used by Parker (2007) although it was referred to as Complete Member Research (CMR) in the study of two Australian trade organisations of which he was a board member of each. Much of the methodology used by Parker in the 2007 study was utilised for this thesis due to the similarity of the two studies. In both cases the researcher was already a member of the board and therefore trusted by the other members, and in both cases the boards were of not-for-profit organisations, however, those relating to the Parker studies were Australian trade associations and the one used for this study, was a health-related charity. Parker advises caution in relation to CMR activities that rely upon existing insights and instead suggests, as has been used in this study, a fresh research topic (Parker 2007). The particular topic selected for examination in this study had not been discussed in any way prior to the commencement of the observations. Huse & Zattoni (2008) discuss that this approach can leave room for a small chance of reflected bias. The selected approach, however, is offset by the well-documented difficulty in gaining board access, and the quantity and quality of information that was made available as a result of the observation that would not have been so otherwise. Both authors reported success in the use of the methods to answer their research questions.

A study by Ahrens & Khalifa, (2013) claims to have identified methodological gaps in the research by the observational studies of both Brundin & Nordqvist (2008) and Parker (2007). Whilst describing Parker (2007) as the one that achieved the greatest exploration and one that fulfils a demand, they criticise the way both have addressed their interaction with the respective boards. Ahrens & Khalifa (2013) claim that naturally occurring behaviour cannot be studied without some level of interference

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and that it is better to accept the influence as occurring and interpret the results as a result of this aspect rather than denying it. This acceptance was the reason that this approach of interference minimalisation rather than denial was adopted for this study. This study followed the procedures for conducting observations as suggested by Creswell and Poth (2018), which are shown in figure 6. The procedures used by this study are now detailed:

Select and access a site to be observed:
As discussed previously in this chapter this study planned to examine how boards made decisions by observation of board meetings alongside interviews with individual board members. The research design used for this study required considerable modification due to the difficulty encountered gaining access to boards. The researcher was able to gain permission from several individual board members from different boards for their participation in one on one interviews. Once several board members had completed interviews; permission was gained by one of the participants for observation of board meetings as part of the study and a new research design using mixed methods (Creswell and Poth, 2018) were adopted. This combination of semi structured interviews and direct observation have been used in previous board studies (Bezemer et al, 2013; Shear et al, 2013; Leblanc & Schwartz, 2007).

Decide on the type of observation:
The "fly on the wall" method (Huse & Zattoni, 2008. p79), the method of observation where the observer has no interaction with the participants was initially selected. Although this method held a reduced risk of input from the observer and therefore risk of bias, it quickly became apparent that this method was impossible with the researcher also being a board member. Midway through the study the type of observation had to be changed to that of "one of the lads" (Brundin & Nordqvist, 2008; Huse & Zattoni, 2008) or Complete Member Research (CMR) (Parker, 2007). This change of method was made all the more relevant when half way through the study the observer became chairperson. The claims by Ahrens & Khalifa, (2013) of methodological gaps were acknowledged and borne in mind during interpretation of interview answers however if any such effect upon participants was present it was not noticed and thought to have a minimal effect upon the results. Input from the observer

has been made explicit in the reporting of the findings to minimise bias/or to allow transparency of action.

Figure 5. Observation process used by this study

Source: Creswell and Poth (2018)
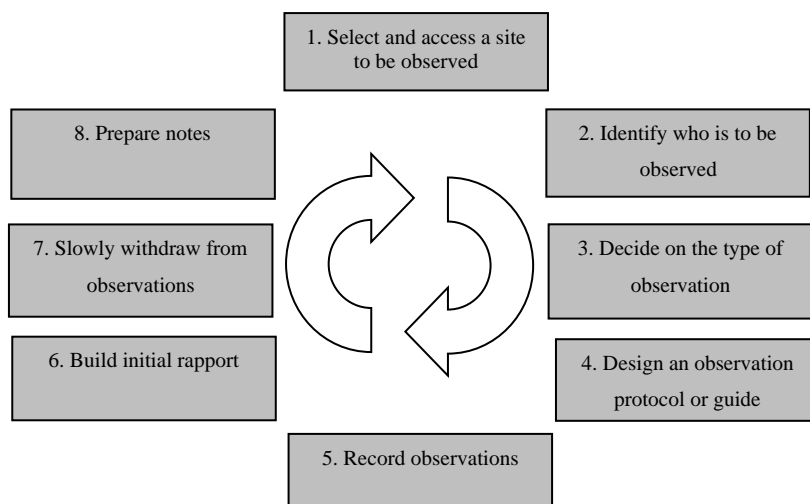
Design an observation protocol or guide:

The observation protocol was to take field notes in relation to pertinent discussions with names and key points discussed as well as any nonverbal communication that occurred. Although no formal outline was required, all observation sessions followed the same general format showing date, those present, names of speakers etc as well as brief details of board member interactions.

Identify who is to be observed:

This step for the study was relatively simple; the study only had access to the one board which fortunately seemed very suitable for the study being comprised of mainly seasoned board members who had many years of experience on a wide variety of other boards.

Build initial rapport:

The need to build rapport in this case was minimal as all board members were already familiar with the observer from previous board interactions and all but one had participated in the interview stage of this study. The board member who did not

participate in an interview only did not due to time requirements and had no objection to the observation stage.

Record observations:

All observations were recorded as soon as it was practicable to do so after each board meeting. The initial intent was to make the notes during the meeting and to some degree this did occur, however, in many instances this was either impossible due to the observer having to participate in the discussion or impractical due to the nature of the notes to be made. Notes were made following the design of the observation protocol previously discussed.

The observations recorded in the form of notes related only to the specific subject of the study; how do boards of not for profit organisations make decisions. In particular notes were taken relating to the specific question of change of organisational structure but also any other pertinent events relating to board decision making.

Slowly withdraw from observations:

In some circumstances withdrawal from the observations may require planning, such as in the case of an external observer who after a prolonged period of contact may have made emotional connections with participants (Creswell and Poth, 2018). Withdrawal from the observation was simple in this study as once the observations had commenced, they were not mentioned again and it quickly became apparent that all board members had either forgotten that they were being observed or were so comfortable with it that they felt no need to discuss further.

Prepare notes:

Additional notes from those taken during or after the meeting were not required.

4.6 Sampling

Sampling refers to a technique used in research where access to the entire population would not be possible, which was the case with gaining access to directors of not-for-profit boards. Sampling techniques can either use probability sampling where the sample can be expected to represent the entire population or non-probability sampling

where statistical extrapolation to the wider populous is not sought (Saunders et al, 2012).

The sample of directors and boards used for the study was a non-probability sample that would allow for the study to generalise at an analytical level with a relatively small sample size rather than the general population, selected using purposive criteria. Purposive samples are selected deliberately for their ability to provide the information needed to answer the research questions (Miles et al, 2014). Non-probability sampling was be used as there was a requirement for the study to focus upon a small number of in-depth cases as a qualitative study. Not-for-profit boards and members were also selected as they were the focus of the research questions. Both the boards and their directors were seen as great sources of information and Liamputtong (2013) describes cases like this as information rich, that will yield great depth of information and are most suited to purposive sampling.

Participant directors and boards were accessed initially through the researcher's extensive list of board contacts with those contacts leading to a certain amount of volunteering by others due to the snowball effect (Liamputtong, 2013). Once a contact had been made through a third party, an approach was made by telephone and then in person with each of the directors to be interviewed and with the chair of any boards concerned to seek their support in approaching the board. It is interesting that no board members approached declined to be interviewed although one, whilst apparently willing, was unable to participate due to time constraints and workload.

Directors and boards were selected assuming a high degree of homogeneity, which Liamputtong (2013) also describing as a factor adding to the suitability of this sampling method. A high level of homogeneity was anticipated as, in relation to not-for-profit organisations in particular, boards have never been representative of the population (Abzug & Galaskiewicz, 2001). Although purposive, the sample was to some degree reliant upon those who would grant access because gaining access to boards is never easy (Payne et al, 2009; Coombes et al, 2001). Many board members are concerned about the confidentiality or sensitivity of the information discussed as well as possibly the fear of being criticised for the manner at which decisions were arrived.

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To some extent this study, using "the impossible method" (Samra-Fredericks, 2000) (pp 245) needed to rely upon the boards and directors to which the researcher was able to gain access. Specific criteria were developed for sampling board members. Board members had to be on a board rather than a committee, which would be more common in relation to smaller community organisations such as sporting clubs. Although in relation to the not-for-profit sector the terms board and committee can be used interchangeably (Justice connect, 2009) this study created its own definition and took the term "board" as meaning *a group of persons with vicarious legal responsibility to protect the interests of an organisation and manage it through the use of staff and or executive management.*

The second part of the study, which commenced after the initial interviews but then continued simultaneously for the remainder of interviews was that of observation. As previously noted, it was planned to observe several boards to record the actual methods used by them to set goals and objectives in the presence of various powerful coalitions. Unfortunately, only one board agreed to participate in the study. Unobtrusive methods such as observation are described as those that are non-reactive by Liamputtong (2013), who also describes observation as ideal for longitudinal studies such as the observational component conducted as part of this research.

Directors of not-for-profit organisations were interviewed as research subjects (RS) to gain insight into the methods used by boards to make decisions. Seventeen board members in total were interviewed, all of which had board experience but some were not currently serving board members. Twelve of those interviewed were currently serving on boards of small to medium sized not-for-profits within Western Australia (RS1-RS3, RS5-RS11, 13 and 16) with six having served on large Australian not-for-profits (RS3, 7, 10, 11, 13, 14) and another serving on a large UK not-for-profit (RS4). Nine of the directors were female (RS2, 4, 7, 8, 9, 10, 11, 12, 14) and six were male (RS 1, 3, 5, 6, 13, 17). One of the subjects (RS6) as well as having a history as a not-for-profit director is currently a director of a large commercial company. Figure 7 shows the backgrounds of all research subjects.

The second part of the study used participant observation of a board in order to capture any formal or informal decision making (Parker, 2007) as well as to see if the

methods described during the interviews were those used in practice. The two methods, participant observation and face to face interviews, each formed a part of the study and served as a combined data collection method (Eisenhardt, 1989; Yin, 1981)**.** Combining methods provided a degree of rigour by the triangulation of the board interview to the observation stage of the study described previously (Eisenhardt, 1989). Triangulation is a technique of using more than one research method in order to deepen the understanding of the subject as well as cross checking the results of one method against the other (Veal 2005). Creswell and Poth (2018) describe triangulation as improving the credibility of the research and suggest extended engagement as used by this study during the participant observation phase as a good means of achieving triangulation. By conducting the observations over twelve months this study was able to confirm behaviour on multiple occasions.

Figure 6. Research participants

(Source: author's own work)

ID	Pseudonym	Age	Sex	NFP size C	Board experience	Occupation	Location
RS1	Sean	50-60	M	Med	Multiple NFP	Retail Management	Australia
RS2	Annette	50-60	F	Med	Multiple NFP	Professional	Australia
RS3	Barry	60-70	M	Med Large	Multiple NFP	NFP managerial	Australia
RS4	Gwen	60-70	F	Large	Single NFP	Health managerial	UK
RS5	Marcus	50-60	M	Med	Multiple NFP	Education Managerial	Australia
RS6	James	50-60	M	Med	Multiple NFP and FP	Industrial Managerial	Australia
RS7	Nigella	45-55	F	Large	Multiple NFP	Education Managerial	Australia
RS8	Linda	55-60	F	Med	Multiple NFP	Academic	Australia
RS9	Angelique	77	F	Med	Multiple NFP	Educator	Australia
RS10	Katherine	58	F	Large	Single NFP	Senior management	Australia
RS11	Heather	60-65	F	Small - large	Multiple NFP	Senior management	Australia
RS12	Virginia	60-65	F	Med	Multiple NFP	Public relations	Australia
RS13	Jakob	65	M	Small - large	Multiple NFP	Consultant	Australia
RS14	Debbie	60	F	Small - large	Multiple NFP	Consultant/Academic	Australia
RS15	Sherry	25-35	F	Small	Single NFP	Emergency response	Australia
RS16	Katie	44	F	Small	Multiple NFP	Event management	Australia
RS17	Kevin	65	M	Small	Multiple NFP	Emergency response	Australia

Both methods of data collection were required to maintain consistency as in the case of the interviews, multiple subjects were used and required replication logic

(Eisenhardt, 1989). Replication logic was achieved through the use of the same researcher conducting all interviews by the same method, using the same questions in similar environmental settings. As well as the advantage of replication logic, having the same researcher conduct all interviews and observations increases rigour by the corresponding increase of immersion within the subject (Green et al, 2007). Direct observation, the second method was used to gain first hand evidence of decision making and objective setting as well as some of the pressures that can be brought to bear by various forces. Both direct observation and semi structured interviews add rigour to the data by triangulation of the material gained (Eisenhardt, 1989) in the same manner as observation and interviews as described by other researchers (Woodside, 2010) as well as enabling the researcher to seek explanations of any observed behaviour.

Whilst observation of more than one board would have been preferable, Yin (2014) describes a single case study as acceptable if it meets one of five criteria. Although this study did not use a case study research design, Yin's criteria seem pertinent to this study. Yin (2014) lists the criteria as applying if the study it is critical, unusual, common, revelatory or longitudinal. This observational study was both revelatory and longitudinal as the observations both enriched and challenged the revelations discovered during the interview stage. A revelatory study is one where the researcher has an opportunity to gain access to a situation that was previously inaccessible. A longitudinal study is one where the researcher has access over a period of time and that there are anticipated changes that will become apparent. It was considered that given the number of researchers describing the difficulty in gaining access (Payne et al, 2009; Coombes et al, 2001; Huse & Zattoni, 2008; van Ees et al, 2009; Samra-Fredericks, 2000) the revelatory nature of the opportunity would outweigh the small sample size and also provide additional rich data to illuminate the information gathered during the interviews. Board participant observations took place from the 27th of February 2018 through to the 24th April 2019.

Unobtrusive methods are subject to criticism in relation to accuracy of data collected (Saunders et al, 2012) and to counter this criticism, the second part of the study, the observation, served to provide triangulation as a measure to substantiate the accuracy of the data collected by interview (Saunders et al, 2012). Information was gained by

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use of narrative research guided by a prewritten series of questions (Liamputtong, 2013) in order to gain a better insight into the reasons for the decisions made. All recordings of interviews were transcribed prior to coding of the data and pseudonyms given to all participants in order to protect their identities.

4.7 Introduction to data analysis techniques and procedures

Once the qualitative data were collected from the semi structured interviews with individual board members, this study was able to discover, by the use of narrative analysis, the methods used by boards to make decisions from the perspective of the directors. The interview schedule aimed to use questions that would draw out the experiences of the participants rather than to assume they had a story to be told and to use probing questions to seek deeper insights in the event that a simple yes or no answer was given to a question as in the same manner as described by Ewick & Silbey (2003). High quality qualitative research analysis requires four steps (Green et al, 2007): immersion into the data, coding of the data, creation of categories, and identification of themes. After collection in the form of sound recordings the data were transcribed, coded and analysed.

4.8 Data analysis

Analysis of interviews was thematic (Liamputtong, 2013) and was used as a means of identifying themes within the data, which would answer the research questions and address the research propositions. These themes were permitted to form as they appear in the manner suggested by Liamputtong (2013) and were identified by reading and re reading of the interview transcripts. Once the themes being generated reached theoretical saturation - that is no new themes were being produced - which in the context of the interviews occurred at number fifteen, the need for additional interview data ceased. An additional two interviews were conducted post theoretical saturation purely as they had been pre-arranged and would also act as a method of additional confirmation. Guest et al (2006) in their study that sought to discover how many interviews were enough to achieve theoretical saturation found that 92% of the total codes discovered were found in only twelve interviews. The study (Guest et al, 2006) described its population as "relatively homogeneous" (pp 75) and that the objectives were "fairly narrow" (pp 75) as was the case with this study supporting the

size of the interview sample used here. Thematic analysis permitted themes to emerge and identified any patterns within the data (Liamputtong, 2013).

Analysis of the second part of the study, which deals with the observation of the board meetings, was achieved by similar means to that used for the interview data. The themes identified during the thematic analysis described previously were used as codes for this second stage and analysed in an identical manner to that described for the interview data. The purpose of this apparent duplication was to provide rigour by identifying if the findings from sample board selected for observation align with those in the interview data. Transcription and coding of data occurred simultaneously to data collection and analysis as qualitative research is an iterative process (Miles et al, 2014). Once the themes had emerged from the interview data this was used to answer the research questions.

4.9 Coding of the data

A list of criteria valued by board members in relation to their decision making emerged early during coding rather than from prior theoretical propositions (Yin, 2014). No pre-conceived themes were attributed, which suited the study's abductive approach to the research. Following from Liamputtong (2013) themes could develop over time and were discovered by first cycle descriptive coding (Miles et al, 2014) where causal beliefs are extracted from participants. Causal beliefs are those beliefs that shape the way we see our reality and as a result must affect how we make decisions (Robbins et al, 2008).

During this study causal beliefs were identified by the commentary from the participants provided in the deeper answers to the interview questions. It became apparent that a well-constructed question receives two responses: firstly, the answer, and then the reason for the answer, and it is this reasoning that often yields the participants true causal belief. The causal beliefs of the participants related to the research propositions in a number of ways.

The propositions used by this study were designed to provide the basis for answers to the research questions. It became clear that many of the causal beliefs demonstrated

appeared to have foundations in past experience. Participant Sean for example appears to have had several negative interactions with board chairs and these seem to feature strongly in his beliefs of how a chair should behave. In relation to proposition one, that information and the timing of the presentation of this information are key to board decision making, those interviewed clearly believed that the timing and quality of information provided to board members was vital to good decision making, however, the measure used by all for both timing and quality appeared subjective to the outside observer and appeared to be measured by what the participant "felt" was timely or good quality.

The goals of the coding were two-fold: to seek data to develop theories that may address the propositions and to uncover potential new propositions. The first cycle descriptive coding was a simple process and was conducted by hand rather than by computer software. Examples are shown in figure 8. Data saturation occurred at a fairly low sample size and was manageable manually and did not require the use of Computer-Assisted Qualitative Data Analysis Software (CAQDAS). Coding commenced with the first transcript and as input from the subject appeared to form a theme this was highlighted with a coloured marker and a list of themes and their colour coding created.

An example of the method of first cycle descriptive coding used can be demonstrated by the response of one respondent who used the sentence:

"and one of the difficulties when you're the chair is ensuring that everybody gets a say, but not everybody controls, you don't want the out of control controlling if that makes sense".

This sentence was themed as *relating to the chair* as was the following example from a different respondent "for instance, if you've got a board where you've got a chairman who is professor of nuclear physics you don't want him making all of the decisions because he says 'well yes but maybe you don't quite understand'". Another example is that of the sentence from another respondent who stated:

> *"I think it's problematic if people make decisions prematurely when they haven't got all the facts or they don't feel comfortable with a decision being made then and there.".*

This example was coded as *relating to decision making.* The first cycle coding used can best be described as the clustering of responses of similar descriptors.

The themes that emerged in the first cycle as described above were then further explored during second cycle coding which involved simple pattern coding (Miles et al, 2014) that was related to the patterns developed by the various propositions. Second cycle coding was used to take the first cycle themes and explore if these could be applied to, or even create or add to one or more of the propositions that were developed by the sub themes being created by the second level coding. An example of the second label coding can be provided by looking at the first sentence used in the discussion of first cycle coding:

> *"and one of the difficulties when you're the chair is ensuring that everybody gets a say, but not everybody controls, you don't want the out of control controlling if that makes sense".*

This sentence in first cycle was labelled as *relating to the chair* but once the first cycle was completed many themes also related to one or more of the propositions. In this example second level coding would place this sentence as relevant to both Proposition three, mature boards are comprised of members who are selected to reduce the board's susceptibility to the effects of groupthink and Proposition four, that the role of the chair has a significant effect upon how board decisions are made. The second sentence used as an example:

> *"for instance, if you've got a board where you've got a chairman who is professor of nuclear physics you don't want him making all of the decisions because he says 'well yes but maybe you don't quite understand"*

This same example would also be applied to proposition three and four but also proposition one that information and the timing of the presentation of this information is key to board decision making and proposition two.

Rating the importance of themes proved more challenging than the coding as themes, such as validation of major decisions by an external source, which was, was only mentioned once by one subject and yet this subject, given their level of experience and knowledge carried enough weight to bring to the fore and emphasise its importance. This example of a causal belief shaped the way the subject perceived their own reality and is an excellent example of why the choice of a pragmatic epistemological position was needed for this study, which permitted this study to work within both the interpretivist and positivist positions (Saunders et al, 2012).

Figure 7. Coding

(Source: author's own work)

Sentence	First cycle coding	Second cycle coding	Related research question
"…one of the difficulties when you're the chair is ensuring that everybody gets a say, but not everybody controls, you don't want the out of control controlling if that makes sense".	Relating to groupthink Relating to the chair	Proposition 3 Proposition 4	RQ3 RQ1
"so, no clear rules".	Relating to decision making	Proposition 2	RQ1
"the decision-making process more often than not involves making sure that the board have all of the information that they need beforehand".	Relating to information and timing Relating to decision making	Proposition 1 Proposition 2	RQ1 RQ1
"yeah, generally we'll pitch and then wait a few weeks and then come in and vote".	Relating to information and timing Relating to decision making	Proposition 1 Proposition 2	RQ1 RQ1
"The board papers are usually sent out seven to ten days before the board meeting so that we can absorb all of the information and then usually at the meeting the CEO will give a bit of a summary as to exactly what the decision is, what the background is and what outcome is expected or wanted and then you've got some opportunity to have some further discussion on it or if you've not had a satisfactory clarification before the meeting then you can ask questions then, and then the decision is voted on".	Relating to information and its timing Relating to decision making	Proposition 1 Proposition 2	RQ1 RQ1
"I learnt early on in my board career to get good information out to board members in time for them to be prepared".	Relating to information and timing Relating to decision making	Proposition 1 Proposition 2	RQ1 RQ1
"There is a danger that boards are flooded with information, which is guaranteed to make sure half the board don't read it".	Relating to information and timing Relating to decision making	Proposition 1 Proposition 2	RQ1 RQ1
"Here is the information, here is the time to study the information, now let's have the directors make an informed decision".	Relating to information and timing Relating to decision making	Proposition 1 Proposition 2	RQ1 RQ1

"I think it would have been good to go through the issues initially"	Relating to information and timing	Proposition 1	RQ1
	Relating to decision making	Proposition 2	RQ1
"you tend to forget it and have to go back and ask".	Relating to information and timing	Proposition 1	RQ1
	Relating to decision making	Proposition 2	RQ1
"I pick up sometimes that the information from the CEO is a bit biased".	Relating to information and timing	Proposition 1	RQ1
	Relating to decision making	Proposition 2	RQ1
"If I was a CEO, I would be bias"	Relating to decision making	Proposition 2	RQ1
"you've got to look at the information but you've also got to know that all of us come from a viewpoint and so you just need to keep in mind".	Relating to decision making	Proposition 2	RQ1
	Relating to directors' background	Proposition 2	RQ2
"Is going to come from the leadership of the chair of the board, unless the alternative is that members of the board have strong personalities and can stand up and support a good decision-making process with a weak or unstructured chairman".	Relating to the chair	Proposition 4	RQ1
"Sometimes the decision can be steered a little by the chair".	Relating to the chair	Proposition 4	RQ1
	Relating to decision making	Proposition 2	RQ1
"I think the role of the chair is to direct discussion to its conclusion"	Relating to the chair	Proposition 4	RQ1
"I think it's also the role of the chair to direct discussions, so you don't go off on too many tangents or bring in red herrings but it's a fine balance between doing that and cutting off the decision and cutting off the discussion".	Relating to the chair	Proposition 4	RQ1
	Relating to decision making	Proposition 2	RQ1
"We have to make this decision today; you know its push, push. That does not lead to good decision making".	Relating to the chair	Proposition 4	RQ1
"very dynamic chair person who can every so often bully people into making decisions".	Relating to the chair	Proposition 4	RQ1
"…for instance, if you've got a board where you've got a chairman who is professor of nuclear physics you don't want him making all of the decisions because he says 'well yes but maybe you don't quite understand'".	Relating to information and timing	Proposition 1	RQ1
	Relating to decision making	Proposition 2	RQ1
	Relating to groupthink	Proposition 3	RQ3
	Relating to the chair	Proposition 4	RQ1
"I think it's problematic if people make decisions prematurely when they haven't got all the facts or they don't feel comfortable with a decision being made then and there, so time".	Relating to information and timing	Proposition 1	RQ1
	Relating to decision making	Proposition 2	RQ1
	Relating to groupthink	Proposition 3	RQ3
"Modern boards have to be constructed; you can't just have a general meeting and elect them".	Relating to groupthink	Proposition 3	RQ3
	Relating to directors' background	Proposition 2	RQ2

"Recruited specifically with complementary knowledge, skills and expertise needed to make decisions".	Relating to groupthink	Proposition 3	RQ3
	Relating to directors' background	Proposition 2	RQ2
"intimate experience and compassion can cloud their judgement".	Relating to groupthink	Proposition 3	RQ3
	Relating to directors' background	Proposition 2	RQ2
"Not necessarily requiring boards to be representative of the general population but they do need to be representative of the group that you are representing".	Relating to groupthink	Proposition 3	RQ3
"no point in having 50% female, 50% male, 50% indigenous, 50% non-indigenous if you don't have the right skills and right background".	Relating to groupthink	Proposition 3	RQ3
"We do tend to take the opinion of those presenting facts to the board as correct and I wonder if we should not be checking their input for bias".	Relating to decision making	Proposition 2	RQ1
"Do you always trust those experts"	Relating to decision making	Proposition 2	RQ1
"I have seen perhaps a little too much interference from the chair. In some decision making the chair will express their preference prior to the vote being taken or decision made, and his words will have a bearing upon the vote if members wish to please or appease the chair".	Relating to the chair	Proposition 4	RQ1
"I think that a good chair would watch out for that [groupthink] and I think that good board members would also watch out for that.	Relating to groupthink	Proposition 3	RQ3
	Relating to the chair	Proposition 4	RQ1
"similar thinking".	Relating to directors' background	Proposition 2	RQ2
	Relating to groupthink	Proposition 3	RQ3
"quite often people tend to line up with other people and that can impact the decision-making process".	Relating to groupthink	Proposition 3	RQ3
"we work hard to make sure that we don't get caught up in groupthink".	Relating to groupthink	Proposition 3	RQ3
"by making sure that we have a broad mix of skills, perspectives and cultural backgrounds based upon the community that we serve".	Relating to directors' background	Proposition 2	RQ2
	Relating to groupthink	Proposition 3	RQ3
"according to a skills matrix and then overlay it with diversity in terms of gender and other things as well".	Relating to directors' background	Proposition 2	RQ2
"dominated by the more forceful at times, the more knowledgeable members of that board".	Relating to groupthink	Proposition 3	RQ3
"I think groupthink can occur even with formal resolutions because people can be a bit intimidated by any invitation or opportunity to speak strongly against something".	Relating to directors' background	Proposition 2	RQ2
	Relating to groupthink	Proposition 3	RQ3

4.10 Ethical issues

Research should be conducted in an ethical manner in order to avoid causing harm to persons concerned. Human research participants such as those used in this study are particularly susceptible to deception and harm and require protection (Yin, 2014). Liamputtong (2013) describes key ethical issues as informed consent, confidentiality, risk and harm. Informed consent ensures that the participants have been fully informed of all the risks involved prior to giving their consent to participate (Veal, 2005; Miles et al, 2014; Yin, 2014). Confidentiality is important to prevent risk and harm occurring to participants by firstly complying with the need to keep information private and secondly by not revealing the identity of the participants (Saunders et al, 2012; Yin, 2014; Miles et al, 2014).

This study sought and was granted ethics approval from Curtin University's Human Research Ethics Committee prior to the commencement of any research activities taking place and also complied with the requirements of the National Statement on Human Research Ethics. Although classed as low risk, this research project was faced with confidentiality being a major issue for both the boards and individuals studied and needed to ensure that they were protected.

There was a small risk of commercial or reputational harm being caused by the information gained during the research finding its way into the public domain. This issue was dealt with by two means, firstly only the primary researcher was present at any board event, and secondly by the use of confidentiality agreements with the board and directors concerned. Direct observations of board sessions were made and non-identifiable notes taken. Prior to any research activity all participants were asked to give their informed consent (Yin, 2014) by the signing of a consent form having previously received a participant information statement that outlined the procedures and processes that the study would use. Yin (2014) goes on to list several other ethical considerations such as protecting the subjects from harm and avoiding deception, protecting privacy and confidentiality, taking special measures to protect vulnerable groups and selecting participants equitably to provide far representation.

Individual directors were interviewed, and these interviews were audio recorded for subsequent transcription. During transcription any direct or indirect means of identifying an individual or board was removed, and a pseudonym added. At the end of the study a summary of the results was made available to the participants for their future use should they desire. All voice recordings and transcripts of interviews have been stored electronically on Curtin University's password protected cloud computer system and will be kept for at least seven years in alignment with the National Statement on Human Research Ethics. Paper versions of transcripts will be kept until the need for follow up questions have been discounted and then destroyed by a professional document destruction company.

4.11 Data quality and dependability

Quality of data is important to any study as without quality data, no study will provide quality findings that can be relied upon. Confirmation of validity of the data collected can be achieved by a number of means with the elements of quality qualitative data being: dependability, credibility, confirmability, transferability and authenticity (Miles et al, 2014, pp 311; Creswell and Poth, 2018). Creswell and Poth (2018) suggest that researchers employ at least two validation strategies. The following paragraphs provide commentary on the various elements as well as detailing how this study has demonstrated compliance with them. Saunders et al (2012) lists poor interview procedures as a key factor in relation to data quality issues such as reliability, bias, generalisation and validity (Saunders et al, 2012).

Dependability, is a descriptor used to describe a study that has been completed with care and that is reliable (Miles et al, 2014). Methods of increasing a study's dependability could include the means employed to ensure that all researchers are asking the same questions in the same manner and that this and other methods do not change over the duration of the study. Saunders et al (2012) goes on to recommend maintaining the same level of information supplied to each subject, maintaining a similar location for each subject, maintaining a similar interviewer appearance for each subject, maintaining a similar level of opening comments at each interview as well as avoid leading questions and accurately recording data. This study has achieved dependability in this manner by the use of a single researcher conducting the

interviews with a series of standard questions in similar settings. The same single researcher also acted as the participant observer and evidence recorder for all board observation sessions ensuring that any variation in technique or manner was minimised.

Due to the individual nature of the qualitative questioning and whilst it is important to note that exact replication of interviews was not required (Saunders et al, 2012) all practicable steps were taken to achieve it. Readers should note that this study accepts that small variations during interviews cannot be avoided and as with the case of Ahrens & Khalifa (2013) and their claim that naturally occurring behaviour cannot be studied without some level of interference. Acceptance that some small level of influence must have occurred in this study is recommended and the results of this study should be interpreted with this in mind although the level of credibility and authenticity increases as the level of influence decreases.

Credibility and authenticity, relate to the findings of the study. Authenticity in this study was achieved by allowing the different voices and answers to emerge from the data. Credibility was achieved by presenting the findings of the study to the participants. These were presented in the form of a summary of the key findings of the study with most recipients giving no reaction but were grateful for the summary. Several participants advised that their interest in the subject had been increased as a result of participating in the research. Findings should also be credible to the reader and supported by the evidence provided in the study (Miles et al, 2014).

Confirmability describes the objectivity of the study and the degree to which the methods used in the study have been open and honestly described within it (Miles et al, 2014) or in the case of this study, the level of confidence in the subjective results. This methods chapter provides the required detail on all methods used during this study from the initial selection of the methodology, the modification that the original methodology required due to the difficulty encountered gaining participant boards to the selection of individuals for interview and the questions and circumstances of the interviews and observations. Finally, this methodology chapter describes the methods used for transcription and analysis of the data collected. Figure 5 provides the

questions asked during the interview, however, in certain cases additional clarification questions were added ad hoc by the interviewer.

Transferability refers to the suitability of the results from the study to be transferred to another population or sample or context. The more transferable the results the more useful they will be (Miles et al, 2014). Transferability of this study is achieved by identification of similar contexts which may render the findings of this study applicable. Transferability to the wider not for profit sector boards is also achieved by solid interview procedures (Saunders et al, 2012) as well as by providing detailed and well supported evidence in the manner that Parker and Northcott (2016) describe as being naturalistic generalisation.

4.12 Reflexivity

In this section I present a description of my own background and my reflections on how I might conduct the study differently with the benefit of hindsight. An insight into my own background will assist readers to understand the perspective through which I as the primary researcher must have viewed the information presented to me during the study. As the background and experiences of the researcher have had an effect upon how that researcher views their own world and that of others (Creswell and Poth, 2018) some form of bias must exist.

Whilst the pragmatic epistemological position used for this research provided the ability to work with mixed methods, my own background in business tended to make my own default position towards that of the positivist for whom things tend to be more black and white. The interpretivist side of me was certainly subdued and an effort was required on my behalf to be open to the notion that the perception of others, in comparison to my own somewhat black and white vista could be very different. Certainly the pragmatic epistemological position (Saunders et al, 2012) appeared to be my own default position.

During the course of the observational phase of this study my position on the board in question changed from that of director to chair. Saunders et al (2012) describe being close to the data as in the case of a manager employed by an organisation being

studied as having both positive and negative effects. Positive effects involve ease of access, knowledge of the organisation, knowledge of taboo subjects and the ability to draw on their own experiences. Negatives to being too close could involve already knowing the answer, inability to access information that may be accessible to an outsider and most importantly, being able to manage internal politics.

This study by necessity required me to become "one of the lads" (Huse & Zattoni, 2008). Being one of the lads certainly made development of rapport with the interviewees far simpler than it would have been as an outsider as a certain level of credibility already existed. The chance of reflected bias in this method (Huse & Zattoni, 2008) was limited by the researcher's awareness of the possibility and by the intentional limitation of input unless required for the board process. Ultimately in any study (LeCompte, 2000) there must be some degree of "self" (pp 152) present in the way we perceive the actions or words of others however I felt that by "understanding the self" I was able to better attempt to hear the spoken words of others in the context that they were intended.

Should the opportunity arise to conduct a similar study in the future there are several aspects that I would modify. To begin with I feel that I was overly confident in my ability to locate research subjects willing to participate in a study upon my own terms. In a future study I would approach several subjects in advance and ascertain if they would be willing to participate and discuss if any modifications to the study protocol was required to make this more likely to succeed. Much of the structure of the study evolved during the course of the study and whilst much of this was due to the difficulties encountered gaining access to boards initially some was almost certainly due to my own inexperience as a researcher. I would hope that in a future study I could use my experiences gained during this to plan better in advance how I was to proceed.

4.13 Chapter four summary

The pragmatic epistemological approach used for this study enabled, by the use of mixed methods including face to face interviews and participant observation, the study of both the how and why the boards make decisions. As very little prior

research is available in this field, an abductive approach was adopted that would enable the study to add to the body of existing knowledge on the subject.

The research design used for this study required considerable modification due to the difficulty encountered gaining access to boards. It quickly became apparent that the very small level of study into boards that has been conducted using observational methods were due to the extreme level of difficulty encountered in gaining access to the boards. The method used was called the *impossible method* and the challenges encountered with the observation method were considerable. The study changed from one that proposed to study multiple boards using a multi case study method to one that used mixed methods to conduct 17 face to face interviews followed by participant observation of one board for in excess of a year following its decision making process in relation to one significant question. Finally, this chapter described the elements of quality data and the importance dependability, credibility, confirmability, transferability and authenticity and demonstrated where applicable how it complies with elements to validate the study and its findings. The following chapter explores the findings of the face to face interviews and starts to identify the issues.

Chapter five: Issues identified by semi structured interviews

This thesis addresses the lack of research about the actual practice of board decision making. This chapter provides new insights into the thoughts and perceptions of not-for-profit board members in relation to decision making. The interviews conducted for this study obtained access on an emotional level and describes how boards of not-for-profit organisations make decisions at least from the perception of those making the decisions, the board members themselves. The term an *emotional* level relates to the degree to which the participants permitted access to not only the decisions that they made but their feelings at the time and how this influenced them, a level that would have been difficult or impossible without using this proven method (Bezemer et al, 2013; Shear et al, 2013; Leblanc & Schwartz, 2007).

5.1 Interview methodology

The interview method of qualitative research seeks to create an atmosphere that leads to the kind of intimacy that permits mutual self-disclosure. This method is also known by other names such as the semi structured interview, the in-depth interview, the long interview or the intense interview (Liamputtong, 2013; Saunders et al, 2012).

One of the great advantages of the use of qualitative methods such as used by this study is the ability, they provide the study to gain access to this emotional data, the true feelings behind the actions of the participants. A significant example of this emotional access is demonstrated during an interview with one participant, Sean who was visibly upset when talking about the effect that the chair has upon decision making. Figure 9 shows a summary of the general process of board decision making as described by the majority of interview subjects. The interviews provided not only provisional answers to the research questions but also explained why such answers were given from the often-emotional responses provided.

The interview phase of this study demonstrated that at least in their own minds board members perceive their boards as following some form of process in relation to decision making. The first research question: How do boards not-for-profit organisations make decisions? was in many ways the hardest for the board members

to answer but provided a large amount of material to analyse. Most, if not all, board members believed their board had some kind of process in place but none were really able to describe this process in any great detail. The majority had the view that the information required was sent out in advance, they read through it, discussed it and voted on it. Often the researcher considered that the research participant was aware that a process should be present and even believed that some form of process existed but no clear description emerged.

The research demonstrates that the majority of board members interviewed would say yes to the second research question: Does the background of a director affect how they make a decision? Most agreed that boards need to be *constructed* with the members selected to fill gaps in board knowledge and experience. In relation to the third research question: How can a board select directors who are less likely to be subject to group think? The interviews showed that board members seem to be aware of groupthink and see the role of an experienced chair who is able to, when required, steer the discussion in the correct direction as vital in this regard. This chapter will now explore the results of the interview phase in greater detail.

5.2 Participants

The participants of this study are shown in figure 7 and between them represent two hundred and six years of experience on not-for-profit boards. Only two of the board members interviewed identified as having any formal training in governance. Of the seventeen board members interviewed for this study, many have served on multiple boards and with a mixture of experience from small to large not-for-profits and represent the ideal key informants for this study. Some of the participants have limited not-for-profit board experience but most have a significant amount as well as much executive experience. The type of organisations on whose boards' participants serve varies, similarly so does the size of the organisations of which they govern. An organisation's size for the purpose of this study was as described by using the categories of the Australian Charities and Not-for-profit Commission (ACNC). The ACNC describes a small charity as having a turnover of less than $250,000. Medium charities are described as having a turnover between $250,000 and $1,000,000, and large over $1,000,000 (Australian Charities and Not-for-profit Commission, 2019).

Board members interviewed for this study were representative of each of the ACNC categories (fig 7).

This study developed four propositions:

- Proposition one: Information and the timing of the presentation of this information are vital to the board decision making process.

- Proposition two: Not-for-profit board members believe that a skills diverse board makes a better-quality decision.

- Proposition three: Mature boards are comprised of members who are selected to reduce the board's susceptibility to the effects of groupthink.

- Proposition four: The role of the chair has a significant effect upon how board decisions are made.

Each proposition had a series of interview questions that related to it and these findings will now be reported on.

5.3 Individual interviews and research question one:
How do boards not-for-profit organisations make decisions?

The interview phase of this study demonstrated that board members perceive their respective boards as following some form of process in relation to decision making and yet, in relation to the first research question: How do boards not-for-profit organisations make decisions? None were able to clearly articulate a process. This question appeared to be the hardest for the board members to answer. Often the researcher felt that the subject was aware that a process should be present and followed and it was clear that some even believed that some form of process existed but no clear description emerged. Heather (female, mid-sixties with experience on multiple not-for-profit boards) said that all boards she had been involved with followed a formal process and did describe an organisation that used by laws in order to determine when a decision changed from requiring a simple consensus to stipulating a formal vote. Heather also described a process in which a board was permitted three attempts at gaining consensus followed if unsuccessful by a formal vote that required 79% of the vote to pass. Heather did then go on to say:

"*so, no clear rules*".

Katherine (female, late fifties, senior manager with experience in one large not-for-profit board) also attempted to describe a process that she said was reviewed every three years. Interestingly the example Katherine used was of another board, which had just undergone a very similar process also regarding the choice of new organisational formats. Katherine said the board had made use of external experts as the board lacked the required knowledge to make the decision and used this example as one of a decision-making process. A variety of other attempts to describe some form of process followed with Barry (male, mid-sixties and experience on multiple not-for-profit boards) stating:

> *"the decision-making process more often than not involves making sure that the board have all of the information that they need beforehand".*

This was supported by Katie (female, mid-forties with experience on multiple not-for-profit boards), who, when asked if her board followed a formal process, stated that:

> *"yeah, generally we'll pitch and then wait a few weeks and then come in and vote".*

By this Katie meant that once the information had been provided, time was made available for thought and discussion prior to the requirement for a decision to be made.

The only response that really went any way to describing some form of formal decision-making process was provided by Virginia (female, mid-sixties with experience on multiple not-for-profit boards), who, when asked the same question responded with:

> *"The board papers are usually sent out seven to ten days before the board meeting so that we can absorb all of the information and then usually at the meeting the CEO will give a bit of a summary as to exactly what the decision is, what the background is and what outcome is expected or wanted and then you've got some opportunity to have some further discussion on it or if you've*

not had a satisfactory clarification before the meeting then you can ask
questions then, and then the decision is voted on".

Figure 9 depicts the process described by the majority of board members interviewed. Once a need for a decision has been identified, the background information required was sent to the board members, the board members read through it, discussed it at the next meeting and then voted on it. Throughout the interviews the researcher was aware that most subjects appeared to *feel* that they should have been better able to detail a formal process but could not.
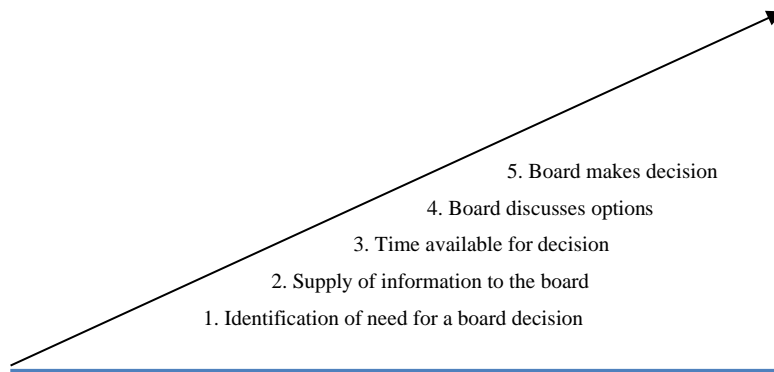
Board members perceive knowledge or information as the most important aspect of board decision making, even if the board practice may unwittingly encourage groupthink or values to have a greater influence. One participant, James (male, mid-fifties with multiple large not-for-profit board experience and large corporate managerial background) also supported the notion further by stating:

"*I learnt early on in my board career to get good information out to board*
members in time for them to be prepared".

The interviews conducted in this study have revealed that information and the timing of the presentation of this information, which provides the background and alternatives essential for decision making, are vital to the board decision making process. All but one of the board members interviewed rated the provision of timely and adequate information to board members prior to the meeting as important to avoid wasting time by having material read to them during the meeting.

Figure 8. Current NFP board decision making practice

(Based upon interview data)

5. Board makes decision

4. Board discusses options

3. Time available for decision

2. Supply of information to the board

1. Identification of need for a board decision

The concept of information overload was raised by another participant, Marcus (male, mid-fifties with multiple not-for-profit medium and large board experience and education management background), who highlighted an important point relating to volume of information stating:

"*There is a danger that boards are flooded with information, which is guaranteed to make sure half the board don't read it*".

Marcus has a significant amount of board experience having served on several boards of not-for-profit organisations as well as serving as the chief operating officer of a not-for-profit safety organisation. Marcus' manner throughout the interview was one of no nonsense and no time wasting and it appeared that he liked board decisions to be made in the same way stating:

"*Here is the information, here is the time to study the information, now let's have the directors make an informed decision*".

A board member failing to read board papers prior to a meeting will not assist with good decision making and in the computer age in which most board packs are stored and accessed online, it may also be difficult to hide with a respondent (executive manager) being able to monitor participant access.

Just as too much or too little information can negatively affect a board's decision-making ability, figure 10 demonstrates that the optimal decision is made if the board members have enough time to read and digest the material prior to the need to decide but not too long a period which would allow participants time to forget content therefore having a negative effect upon the decision made. This effect is described by Sherry (female, early thirties, experience on one small not-for-profit) who raised the concern of having information provided too far in advance saying:

"I think it would have been good to go through the issues initially"

and went on to say

"you tend to forget it and have to go back and ask".

Board packs, the papers given to board members containing the background to decisions required of the board, it seems need to be made available in advance, but not too far in advance of the meeting, a task normally associated with the CEO.

figure 9. The effect of time on decisions
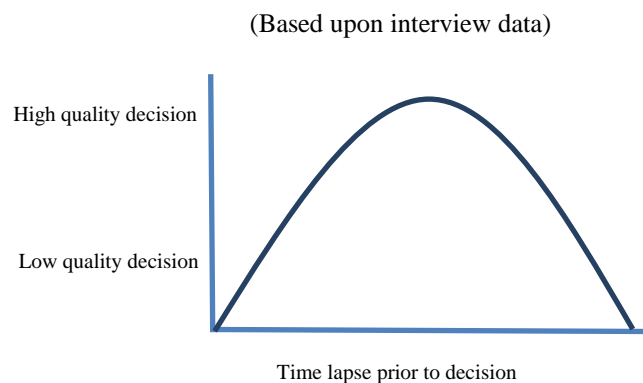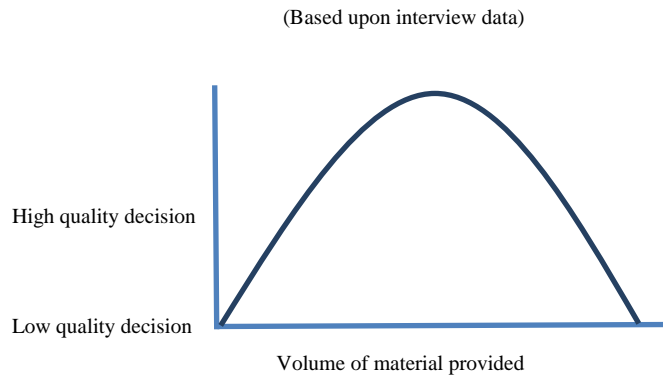
(Based upon interview data)

Figure 10 shows the effect that the volume of time given to board members has upon their decision-making ability. The interviews identified that too little information fails to provide the background required for an informed decision and yet excessive information results in board members suffering from information overload.

The problem of too much information putting board members off reading papers was identified by both Gwen (female, 60-70, single large UK not-for-profit) and Marcus to the point that decisions either needed to be postponed or may be made when not all board members have been adequately educated to make such decision.

figure 10. The effect of volume of information upon decision making

(Based upon interview data)

High quality decision

Low quality decision

Volume of material provided

Although clear that most if not all participants rated the provision of accurate information as vital for good decision making by the board, Annette (female, mid-fifties, experience with multiple not-for-profit organisations) did state that:

"I pick up sometimes that the information from the CEO is a bit biased".
Annette went on to say that:

"If I was a CEO, I would be bias"

and that:

"you've got to look at the information but you've also got to know that all of us come from a viewpoint and so you just need to keep in mind".

By viewpoint, Annette is referring to the different lenses through which different people see the same event and the differing meanings that are taken from the same event due to this.

The effect of the chair upon not-for-profit board decision making was another variable that was described by several participants during the interviews and the fourth proposition, that; the role of the chair has a significant effect upon how board decisions are made is supported by James and others who stated that guidance on decision making:

> *"Is going to come from the leadership of the chair of the board, unless the alternative is that members of the board have strong personalities and can stand up and support a good decision-making process with a weak or unstructured chairman".*

Sean (male, mid-fifties, experience with multiple not-for-profit organisations) told us:

> *"Sometimes the decision can be steered a little by the chair".*

Annette also saw that the chair can affect the process but saw this as a positive, stating:

> *"I think the role of the chair is to direct discussion to its conclusion"*

Adding:

> *"I think it's also the role of the chair to direct discussions, so you don't go off on too many tangents or bring in red herrings but it's a fine balance between doing that and cutting off the decision and cutting off the discussion".*

Sean reported that he has been on a board on which he felt more time and discussion was required and yet the chair told him:

> *"We have to make this decision today; you know its push, push. That does not lead to good decision making".*

Sean felt at the time of the discussion that the chair was in a position of authority over him and that he was not keen to keep arguing the point even though he did not agree with it. Sean and Kevin (male, sixty-five with experience on only one not-for-profit board and emergency response background) were the only two interview participants to raise any form of negative response in relation to the effect of the chair upon the decision-making process. Kevin described having seen a:

> *"very dynamic chair person who can sometimes bully people into making decisions".*

In relation to research question one, how do boards of not-for-profit organisations make decisions the interviews have shown that board members perceive their respective boards as following some form of process in relation to decision making and yet are not able to clearly articulate it. Board members perceive information as the most important aspect of board decision making. The concept of information overload was also raised and suggests that the optimal decision is made if the board members have enough time to read and digest the material prior to the need to make a decision. The effect of the chair is significant effect upon how board decisions are made and can be either positive or negative.

5.4 Individual interviews and research question two:
Does the background of a director affect how they make a decision?

In relation to the second research question: Does the background of a director affect how they make a decision? it was clear from the interview responses that not-for-profit board members believe that a skills diverse board makes a better-quality decision. All respondents rated a skills diverse board and a suitable selection process used to recruit board members as important. Four directors, all with considerable board experience, Gwen (female, mid-sixties with multiple not-for-profit very large board experience and heath managerial background), Barry (male, mid-sixties with multiple large not-for-profit board experience and not-for-profit managerial background), James (male, mid-fifties with multiple large not-for-profit board experience and large corporate managerial background), and Nigella (female, mid-

forties to mid-fifties with multiple large not-for-profit board experience and educational managerial background) rated it as vital.

Gwen stated that:

> *"Modern boards have to be constructed; you can't just have a general meeting and elect them".*

Gwen, who lives in the highlands of Scotland, had to travel to London for board meetings and it was clear that neither she nor her board had time for poor decision making and they placed great weight on the correct composition of the board to achieve this outcome. Marcus strongly supported the view of Gwen and went on to say that the large boards he had been involved in used a skills matrix to identify gaps and that board members were:

> *"Recruited specifically with complementary knowledge, skills and expertise needed to make decisions".*

Barry (male, mid-sixties and experience on multiple not-for-profit boards) also gave examples of a board members' background affecting the decision making describing how:

> *"intimate experience and compassion can cloud their judgement".*

By "intimate experience" Barry was taken as meaning an experience which had a profound effect upon his life. Although not evident during the discussions in relation to the one decision that was the topic of this study, it was observed that that in relation to other matters affecting mental health, that those members of the board who identified with a lived experience of the service recipients of the organisation were far more passionate and emotional in discussions than those who were not. It was apparent during the interviews that all board members were drawing upon their own personal experiences to be able to answer the questions put to them.

In relation to diversity of participants, when questioned as to their meaning of diversity in the context of their answers, participants clarified this aspect as being

skills diversity as opposed to gender, race or religious diversity. Debbie (female, sixty with multiple not-for-profit board experience over various sized organisations and a consultant/academic background) described the need for diversity on a board as:

"Not necessarily requiring boards to be representative of the general population but they do need to be representative of the group that you are representing".

From the responses provided during the interviews it is clear that the participants agreed that a skills diverse board would make better decisions and that in cases in which the diversity of the board does not cover the required expertise, that external support should be sought. Nigella had strong views on diversity and stated that there is:

"no point in having 50% female, 50% male, 50% indigenous, 50% non-indigenous if you don't have the right skills and right background".

Although only mentioned by one respondent, Nicky (female, 45-55 multiple large not-for-profit, educational management), validation of major decisions by an external source was of great importance and given her large amount of experience and that she serves on a board that oversees the spending of many millions of dollars seemed worthy of inclusion. Although not overtly suggesting the use of an external source, Kate (female, forty-four with multiple small not-for-profit board experience) did seem to have her view align with that of Nicky. Kate stated that:

"We do tend to take the opinion of those presenting facts to the board as correct and I wonder if we should not be checking their input for bias".

Kate's observation is not supported in literature but has support from Kevin, who commented:

"Do you always trust those experts"

and would make sense for a board considering a decision of great importance to have the impartiality of any information provided independently validated. The cost of such validation would prevent its use on day to day matters but for vital decisions the cost of not validating and making a poor decision may be even greater.

5.5 Individual interviews and research question three:
How can a board select directors who are less likely to be subject to groupthink?

With most of the participants listing consensus as an important part of board decision making, boards need to be aware that too great a desire for consensus may result in groupthink. Sean (male, 50-60, multiple medium not-for-profit, retail management) seemed to have strong thoughts on how the board decision process could be affected and stated that:

"I have seen perhaps a little too much interference from the chair. In some decision making the chair will express their preference prior to the vote being taken or decision made, and his words will have a bearing upon the vote if members wish to please or appease the chair".

Sean's comments at first appear to be more related to a discussion on the role of the chair than groupthink however with the chair being in such a strong position to influence the board it seems that a poor chair may create an atmosphere in which groupthink can flourish to avoid incurring the chairs displeasure. The chair's role in guiding board discussions and the decision-making process is clear but Jakob (male, sixty-five with experience on multiple not-for-profit boards and a background as a consultant) also described the role as key in avoiding groupthink stating:

"I think that a good chair would watch out for that [groupthink] and I think that good board members would also watch out for that.

Sean's view is supported by Annette who in her interview described an event at a board meeting where she had witnessed another board member apparently not getting his voice heard. Annette has a background in clinical psychology and stated that after

the meeting she had a word with the chair so as to not put anyone on the spot. It was unclear if this event was a deliberate attempt by the chair to manipulate the vote in this case or simply a case of poor meeting management which may have the end result of promoting groupthink. Virginia (female, early sixties with experience on multiple not-for-profit boards) was very aware of groupthink and stated that her board specifically recruited, selected and interviewed with its avoidance in mind. Sherry (female, early thirties with experience on only one small not-for-profit board) acknowledged that the board she was on suffered from groupthink and when questioned regarding possible causes, put this down to the board's small size and a very intimidating chair.

Many of the other board members interviewed, whilst not addressing the concept directly, did give responses that were related to groupthink such as those of Nigella who suggested experience diversity, achieved by recruiting board members from differing industries would help to avoid what she termed:

"*similar thinking".*

Linda (female, mid-fifties with multiple not-for-profit board experience) thought that it was important for board members to be confident enough to challenge the thoughts of others as well as being happy to have their own thoughts challenged. When questioned about the main factors that affect how a board makes a decision Barry stated that:

"*quite often people tend to line up with other people and that can impact the decision-making process".*

Katherine (late fifties with experience on one large not-for-profit board) was one of the few interview participants to address the subject of groupthink directly saying that:

"*we work hard to make sure that we don't get caught up in groupthink".*

When questioned how her board achieved this, she said:

"*by making sure that we have a broad mix of skills, perspectives and cultural backgrounds based upon the community that we serve*".

It was clear that Katherine saw skills and general diversity separately as she went on to explain how they firstly recruited:

"*according to a skills matrix and then overlay it with diversity in terms of gender and other things as well*".

Gwen identified a possible solution to groupthink as being training of board members and gave an example of a board member who, after some internal board training became a valuable contributor to their decision-making process. It is possible that some form of board training could assist board members to avoid being subject to groupthink with Barry stating that decisions can be:

"*dominated by the more forceful at times, the more knowledgeable members of that board*".

The incident described earlier in this chapter that concerned Sean and the chair's perceived attempt to control him does raise the matter of Sean's emotional state and the effect that this situation may have upon his decision-making ability. If Sean's self-perceived power level was reduced by his encounter with the chair, then it is reasonable to assume that there would also be an effect upon his ability to argue a point if that point was contrary to that held by the chair.

Jakob raised the possibility that board procedure could increase the possibility of group think as in the case of using formal resolutions that are put to a board for decision. Jakob stated that:

"*I think groupthink can occur even with formal resolutions because people can be a bit intimidated by any invitation or opportunity to speak strongly against something*".

Although not directly aimed at avoidance of groupthink, several interview participants in addition to Gwen did raise the subject of training for board members. At present within Australia no formal training is required for membership of a board, either within the for profit or not-for-profit sectors. It is incumbent upon the board to recruit persons with a suitable level of skills and knowledge and a mandatory requirement for formal governance training would be overly burdensome. Formal training for board members is available within Australia from organisations such as the Governance Institute of Australia (Governance Institute of Australia, 2020), the Australian Institute of Company Directors (Australian Institute of Company Directors, 2020), or the Institute of Community Directors Australia (Institute of Community Directors Australia, 2020) however such training demands significant expenditure, which could be prohibitive for voluntary not-for-profit directors.

Mentoring of newer board members by those with greater experience is another suggestion discussed by several board members during interviews. Although this was not observed during the study. this solution may offer a low-cost alternative to formal training and still, though an increase of awareness, reduce the instances of groupthink.

5.6 Chapter five summary

This study provides an insight into how not-for-profit board members see their own role in board decision making and provides a rare glimpse inside this black box. All participants supported the timely distribution of the correct amount of information to board members in advance of meetings. Board members suggested that the volume of information provided must give adequate knowledge to make informed decision but not so much to overburden the reader. It also highlighted the need for board members to make the effort to read and understand such information prior to meetings; a board room is no place for a social loafer, a term used the tendency for certain individuals to reduce effort when working in a group compared to working individually (Robbins et al). The need for consensus was rated highly but this can come at the cost of increased levels of groupthink and whilst achievement of consensus may be desirable to board members it is only one type of agreement and care needs to be taken that this achievement does not become to goal itself.

Board members saw a skills diverse board as essential and considered that boards should conduct regular, at least annual, audits of their skills to create a skill register or matrix on which to base board recruitment. A well-structured board is described as one of the most valuable assets an organisation can achieve. The role of the chair was described by many as being an important ingredient not only to achieve good decision making but also to achieve a well-run, functional board in general. Having explored in this chapter what the board members *said* in relation to boardroom decision making, the next explores if what was *said* matches what was *done in practice*.

Chapter six: Findings of observation of board decision making

This chapter presents the second part of this study, which involved the first-hand observations made during attendance at the board meetings of a single not-for-profit organisation which were conducted over a fourteen-month period. The objective of using the technique of observation was to conduct a longitudinal study of the actual decision-making practices used by a board and to discover how a not-for-profit board made an important decision that would not only have a major impact upon the board itself but the organisation which it governed.

6.1 Participant organisation

The participant board (the board) used for this study governed a large sized organisation as defined by the Australian Charities and Not-for-profit Commission (ACNC) and worked in the mental health sector within Western Australia. The organisation had been in existence for over twenty years and relied primarily upon government grants for funding although in recent years' individual membership had been increasing at a steady rate which appeared to be due to an associated increase in the volume of face to face training that the organisation conducted within the sector.

This increase in size of the membership base, which occurs due to membership promotion during training courses, along with the income generated by this was building the organisation a solid financial cash reserve and helped to reduce the financial uncertainty that many organisations within the not-for-profit sector encounter. The organisation was held in high regard by its membership, management, consumers, practitioners and government alike. Like many other not-for-profits, whilst a couple of the key performance indicators were quantitative such as financial and membership, most were along the lines of newsletter circulation, satisfaction with training and website activity. Other quantitative measures included feedback from training courses, number of visits to the organisation's website and the number of public contacts. Many of the metrics used by this organisation do align with the suggestion of Cordery (2013) in that they were easy to report rather than deliver the best picture of the organisation's actual performance (Cordery, 2013).

The organisation, like any other Australian not-for-profit, had a limited cash reserve with most if not all of any grant funding required complete dispersal each year for the purpose for which it was granted. Although the organisation had little surplus funds, due to many years of good financial management the organisation and board were not under any undue financial pressures. The organisation had many volunteers and helpers who often but not always had themselves or a close friend or relative been touched by the services provided by the organisation.

At the time of the study the organisation was registered with the Australian Charities and Not-for-profit Commission and operated under Western Australian legislation which meant that, in general, it was only able to provide services within the state of Western Australia. For some time, other state based not-for-profits operating in non-competitive areas had been changing their incorporated status to enable them to operate at an interstate or national level and there was much discussion occurring at an operational level as to the possible benefits to the organisation of doing the same.

6.2 Participant board

Board meetings were held on a monthly basis in the evening and each lasted about two and a half hours and followed a pre-published agenda. Board papers were available on the evening of the meeting in hard copy but were also made available prior to the meeting, usually several days in advance but on occasion only a day or two prior, which did sometimes cause minor protestations from some board members. Board papers were made available in advance of a meeting by the use of an online document sharing application. The volume of information presented in the papers varied from month to month according to the volume of business to be undertaken by the board. For an average month the board papers for this organisation would consist of a profit and loss statement, balance sheet, CEO's report plus copies of any relevant correspondence.

During the course of the observation, it became apparent that one or two members seemed to struggle to operate the system and, in an attempt, to encourage all board members to be better prepared for meeting a discussion paper about this situation was tabled. This paper outlined the expected commitments of all board members to certain

tasks, one of which was to read papers prior to meetings to be better prepared for discussion and decision-making. The member proposing this agenda item framed it as an introduction for new board members rather than singling out those who may have been tardy in reading the board papers prior to the meeting and increase their level of social loafing. Social loafing can occur when a member of a group reduces their level of individual effort (Robbins et al 2008). Although the exact cause of this phenomenon is unknown (Robbins et al 2008) it is logical to assume that its occurrence would reduce a group's decision-making ability by causing a reduction of the collective information available to the group to achieve informed decision making.

As well as the board members, also present at each meeting were the organisation's CEO and a staff member who also acted as minute taker for the meetings. At the end of each meeting, a board only session was held during which all non-board members were required to vacate the boardroom for a board only discussion as required. The board office bearers consisted of the positions of chair, whose primary role was to ensure the efficient running of the board as described by Mallin (2013), a deputy chair who acted as chair during the chair's absence, a board secretary, whose role was to provide guidance to the chair and board on matters of compliance and governance aligning with literature (Wan & Ong, 2005), and a treasurer.

The board had only three standing committees those being "finance, risk and compliance", "nominations and remunerations" and "governance". This small number of committees simplified board operations and aligned with results of research on ideal/appropriate numbers of committees (Mallin, 2013; Tricker, 2015). Other committees only formed on an ad hoc basis. All committees meet at least three times a year but more often if required. All board members were non-executive, having no input into the running of the organisation at an executive or senior management level and were only concerned with governance and strategic planning (Dulewicz & Herbert, 1999).

Board members were recruited according to both their past experience in governance and gaps identified according to the board skills matrix, which was updated annually. The board was required by constitution to be comprised of a majority of those claiming a lived experience of the mental health service and the balance, those who

did not. This lived experience was in complete alignment with the statement in 2016 by the outgoing chair of Australia's National Disability Insurance Agency (NDIA) who stated in relation to this board that "Lived experience of disability on the board has also brought existing relationships which have been essential to establishing the trust and confidence of the disability sector in the NDIA." (Australian Broadcasting Corporation, 2016. No page number). Like most boards, the number of directors fluctuated due to personal, work or other commitments but was mandated by its constitution to remain at between seven and twelve members which is close to the five to twelve suggested by Mallin (2013). During the period of the study the number of board members remained at about eight, all of whom were unpaid volunteers.

Only one or two of the board members had any form of formal governance training. From time to time short training courses were conducted for board members using outside experts in fields such as finance and accounting. Independent consultants were used for audit purposes and for initial drafting of strategic planning documents. Several board members concurrently held positions on other boards. Board members were split roughly in two groups with one group possessing a great knowledge of the sector and its challenges and the other possessing less sector knowledge but greater corporate and governance skills.

Board members were elected to the board by a vote at an annual general meeting and were appointed for a three-year term. A member was eligible to stand for election for a second three-year term but at the end of this second term was required to stand down from the board for at least twelve months prior to re application if desired. A couple of the board members had served multiple terms on the board over extended periods after the prescribed breaks. Staggered terms for directors were used so that no large-scale loss of corporate knowledge occurred, a common practice where many boards replace a third of their number each year providing a complete turnover every three (Tricker 2015).

Each meeting ran to a schedule, which had times allocated to each agenda point by the chair and secretary prior to each meeting. Each meeting commenced with an opportunity for board members to suggest changes to the agenda and timings allocated should they feel the need. A process checker was appointed for each board

meeting who was responsible, at the end of each meeting for suggesting any areas of process or procedure that could be improved upon.

The board certainly had a firm structure and the base for this structure was a wide range of board member skill and experience. The board appeared well placed to provide guidance to the organisation in matters of management and governance. Each year the board members conducted a self-assessment of board processes and procedures as suggested by Kuprionis (2011) as well as an update of board members own skills to form a board skills matrix.

figure 11. Members of the observed board

	Pseudonym	Age	Sex	Organisation size (as defined by ACNC)	Board experience	Occupation
RS1	Sean	50-60	M	Med	Multiple NFP	Retail Management
RS2	Annette	50-60	F	Med	Multiple NFP	Professional
RS3	Brian	60-70	M	Med Large	Multiple NFP	NFP managerial
RS7	Nigella	45-55	F	Large	Multiple NFP	Education Managerial
RS8	Lynn	55-60	F	Med	Multiple NFP	Academic
RS9	Angelique	77	F	Med	Multiple NFP	Educator
RS10	Katherine	58	F	Large	Single NFP	Senior management
RS11	Heather	60-65	F	Small - large	Multiple NFP	Senior management
RS12	Virginia	60-65	F	Med	Multiple NFP	Public relations

6.3 Topic for decision

The board needed to decide if the organisation should make a major change of strategic direction that would permit it to operate across state borders while complying with the various state and federal legislation requirements. This change of strategy, if adopted, would require significant restructuring of the organisation's legal form as an entity as well as requiring significant changes to operational processes and procedures.

6.4 The meetings

Meeting one

The first board meeting at which this topic was raised was like any other until the CEO mentioned in passing that another not-for-profit organisation that she was familiar with had recently cancelled their incorporation under Western Australian legislation. This organisation had now become a company limited by guarantee under the Australian federal regulator, the Australian Securities and Investments Commission (ASIC) so that they were able to operate throughout Australia.

As soon as this topic had been raised the board members present had a general discussion which lasted for about fifteen minutes regarding their personal opinions as to if the idea was a good one or not. Some of the members' present thought that this was a good opportunity to expand the existing organisation whilst others seemed of the opinion that the level of increased risk and difficulty may not be worth the benefits. The CEO informed the board that no other organisation in Australia offered the same services as this one outside of Western Australia and that there was also the possibility of a substantial increase in funding as well as opportunity to increase services delivered. The chair suggested that the topic seemed worthy of further investigation and discussion and that all members should give the matter consideration for future discussion at a later meeting due to current time constraints and the potential complexity of the topic. It was unclear why more specific instruction or timeline was not provided by the chair and with the benefit of hindsight this may have streamlined the process considerably.

Meeting two

This meeting had additional general discussion regarding the subject although it was not listed on the agenda and no new information was presented. Discussion at this meeting commenced informally during a break and although limited to the different forms of legal entity that the organisation could assume to fulfil the role seemed to involve all board members present and lasted for about fifteen minutes. During the discussion, anecdotal arguments and personal opinions for and against the different legal structures were presented. No one discussed if a requirement to operate in the national space existed.

Meeting three

This meeting had the topic listed on the agenda with the other items of business for discussion and had fifteen minutes allocated to it. Once again, this discussion seemed to gravitate towards the various legal forms that the organisation could become to fulfil its possible new and larger role within the sector. Although no new information was presented during this meeting, the then chair did move that the topic be passed to the governance committee for further investigation and asked that this committee report back to the board with a recommendation. It was also suggested that the committee approach the chair of the organisation that had been the subject of the initial discussion to seek their advice. The governance committee consisting of Angelique, Heather and one other board member who was unable to take part in this study due to time commitments were tasked with reporting their recommendations to the board at a later meeting although no deadline was placed upon them. The reason for this lack of deadline was not apparent but upon reflection would appear to simply have been an accidental omission on the part of the then chair.

Meeting four

These meetings passed without even a mention of the subject. From the observations it was apparent that this was not an easy topic for the board members to grasp. All appeared happy that the matter was being investigated further by a committee with not even the chair seeking an update. The result appeared to be that the board members were happy to procrastinate on this topic until forced into action.

Meeting five

No further discussion of topic.

Meeting six

At meeting six the chair asked if any progress had been made. Heather, the chair of the governance committee, responded that the paper had been completed and was available on the online document sharing site. It was apparent that the document had not been read by the other board members. It is possible that by not having the document listed for discussion on the agenda board members failed to prioritise its reading. It is also suspected from my own personal experience of this event that the document had been stored online in a manner that made it difficult to locate.

Meeting seven

No further discussion of this topic.

Meeting eight

No further discussion of this topic.

Meeting nine

No further discussion of this topic.

Meeting ten

Prior to meeting ten the incumbent chair tendered her resignation and enquired of the primary researcher of this study of his willingness to, subject to full board approval become chair. With no other contenders for the position of chair the primary researcher accepted the nomination and was unanimously endorsed as chair.

Although the delay between meetings six and eleven seems excessive the board did have end of financial year reports to prepare as well as preparation for the annual general meeting. In addition, the board was required to complete amendments to the constitution mandated by a change in state legislation as well as arrange for a special general meeting, which was required in order to pass such changes. Prior to meeting eleven, the new chair requested that the topic in question be placed back onto the

agenda and then at that meeting placed a deadline of meeting twelve for the board to vote on any change if it was to occur.

Meeting eleven

Meeting eleven commenced with another discussion as to the various forms of organisational structure that could be utilised for such a purpose with Sean and Annette wishing to ask colleagues from other boards that had been through similar changes to address the topic at a board meeting. Heather told the board that she had been researching the topic and there was an option that did permit the organisation to remain under the state legislation but operate nationally. This option provided an alternative to changing from an organisational structure registered with the Australian Charities and Not-for-profit Commission and governed by the association's incorporations act 2015. As a general rule, for a not-for-profit to operate on a national level it would need to become registered under the Corporations Act and governed by the federal Australian Securities and Investments Commission. Finally, the chair intervened and asked that all board members must take the first step to decide if the organisation gains a benefit from the change and only then, if a benefit is apparent, to look at the various forms that such a change could take. This was agreed by all present.

Meeting twelve

Meeting twelve coincided with the leave period of the CEO and it was decided that as the CEO would be vital to the discussion from both an operational and strategic point of view the discussion should be postponed until her return.

Meeting thirteen

Meeting thirteen had the CEO present but two board members away on sick leave. Annette, however, informed the board that she had meet with a gentleman from another not-for-profit who had provided useful information in relation to this topic. It was decided that the discussion should again be postponed until all board members were present. Annette also stated that she was willing and able to make contact with a representative of another organisation with considerable experience in this field but that Sean had previously intimated that he would make contact with him but had not

yet and she was concerned that he may be upset by her being perceived as going behind his back. The chair advised that Sean had ample opportunity to approach this person and that maybe Annette should contact Sean and advise that now was the time to make the approach and that she would if this did not occur.

The CEO did inform the board at this meeting that at this time there was no national body acting in the same space as the organisation and that the board would need to change certain policies and procedures should the decision be made to go down this path. The chair stated that this issue had now been going on for at least twelve months and that it was time to either make a decision on this or drop the idea altogether.

Two weeks after meeting thirteen Annette sent out information gained as a result of meeting and speaking with the incumbent executive assistant to the CEO and ex Chair of one not-for-profit organisations who will be referred to as blue board and the incumbent CEO of another, referred to as red board from this point on. This information related to the experiences that these two organisations had having both made the same change that this organisation was now facing. A summary was sent to the governance committee who had now taken ownership of the topic. A conversation was had between the chair and Annette in relation to the advantages of leaving this decision until the strategic planning day rather than another board meeting. It was decided to include at the board meeting simply as an item for noting and that the strategic planning day that was scheduled to occur the following month would be a more suitable time for further discussion.

Blue board

In relation to blue board Annette spoke to the executive assistant to the CEO on the 15th of April 2019 and to ex chair on the 30[th]April. Annette reported that this board had made the decision in 2017 to allow blue board's organisation to work interstate. The process apparently involved considerable changes being made to the organisation's constitution, audit processes and annual reporting requirements. Changes were also required to be made to the staffing structure such as the CEO, Deputy CEO and Company Secretary. This organisation had in excess of ninety employees with many employed on a part time or casual basis. Blue board hired a consultant lawyer to change their constitution and audit process in a manner that

complied with the requirements of the Australian Charities and Not-for-profits Commission. Blue board reported the benefits of the change as being able to respond quickly to opportunities when they arise anywhere within the country.

Red board

Annette spoke to the CEO of red board's organisation on the 16th of May 2019. This organisation employed about seventy staff and red board had made the decision to move from a Western Australian incorporated association to a national company limited by guarantee, a position that would allow them to work interstate from 2018. Unlike blue board, red board had been awarded Commonwealth funding for an interstate contract and was required to change from a state to national body in order to take advantage of this funding. Red board saw the ability to work in the national arena as a more modern position with less administrative burden being placed upon them as a company limited by guarantee as opposed to an incorporated association. Unlike red board, blue board engaged the services of an external consultant to help evaluate which type of legal structure was best suited for their organisation's needs. As with blue board, red board also engaged the services of an external lawyer to make the constitutional changes. Blue board reported that their process did take several months to achieve.

Annette reported that in addition to that already reported in relation to the two boards both had reported difficulties in relation to the constitutional requirements that all members of each organisation were required to vote on the proposal to change the structure. As can be expected with any proposal for change in a membership-based organisation, some resistance to change was encountered and one board reported that several members were opposed to the changes and that a lawyer's assistance was required to manage the process. This can be expected to be an issue with any member-based organisation as is the case with the majority of Australian not-for-profits. The only benefit reported was that of being able to work interstate under less administrative burden.

Two alternatives to becoming a company limited by guarantee that would also both permit the organisation to conduct business in other Australian states were suggested:

1. Register with Australian Charities and Not-for-profits Commission (the current federal registration body) as Registered Australian Body (RAB)

2. Work as an incorporated body in other states (federated structure). This may however require compliance with several different state laws and involve reporting to several different state regulators.

Meeting fourteen

This meeting was, rather than a standard board meeting, a pre scheduled strategic planning day held on a Saturday morning and facilitated by an external facilitator. A meeting of this nature was held each year to enable the board to spend more time upon strategically important issues rather than attempting to do this combined with other business at a regular board meeting. This topic was listed as one of three to be discussed that may influence the future strategic direction of the organisation. Prior to this meeting a well written briefing paper had been provided by the CEO that offered not only background and fact relating to each of the three topics for discussion but also a recommendation to the board with supporting evidence. In relation to the decision to change formal organisational structure the following is a summary of the options presented by the CEO:

1. The organisation cease incorporation under the state Associations and Incorporations Act (2015) and re-incorporate under the federal Corporations Act (2001) as a company limited by guarantee.

   Benefits:

   - Compliance only required with one Act.
   - Ability to work in all states and territories.
   - Access to federal government funding.

   Drawbacks:

   - Set up and compliance are expensive.
   - Many existing policies and procedures would need to be rewritten.

2. The organisation remains incorporated under the state Associations and Incorporations Act (2015) but registers with the Australian Charities and Not-for-profits Commission as Registered Australian Body (RAB).

Benefits:

- Compliance only required with one Act.
- Ability to work in all states and territories.
- No changes required to existing policies and procedures

Drawbacks:

- None.

3. <u>The organisation remains in in its current state pending proposed discussions with likeminded organisations in other states to see if a collaborative approach to some form of federated model was possible.</u>

Benefits:

- Possibility of no or little need to change structure.
- Possibility of advantages of all other options.

Drawbacks:

- Possible loss of some level of control.

4. <u>The organisation remains in in its current state.</u>

Benefits:

- No need to change structure.

Drawbacks:

- Inability to work in other states.

The CEO advised that although some states did not have a body operating in the space concerned, the requirement for such services were not clear. In the states with such a need an existing body was already meeting the needs of those concerned. The CEO did highlight the possibility of the organisation, if it fell under federal legislation possibly gaining access to certain federal funds for use within Western Australia. For the first time in over a year the discussion centred around the potential benefits and costs to the organisation or the actual need for change rather than the mechanism by which the change could be achieved. The briefing paper also contained details of interstate organisations that are of a similar nature and that have worked in a co-

operative nature with the organisation previously and it was suggested that the board set up an alliance with these potential allies in order to explore further.

One board member at this point said:

"I cannot see any clear benefit of the national option"

at which point several others voiced their agreeability with this comment. At this point the board resolved to not pursue the matter further at this time due to lack of perceived benefits to the organisation but rather have joint CEO/Chair discussions with the organisations as interstate allies to see if a genuine need existed. If clear benefits could be shown at some time in the future then the board would take the next step and explore the best mechanism for the change.

One of the original triggers for the debate the board was having in relation to becoming a national rather than state body was discussions that had been suggested by similar organisations in other states. Bringing the observations to an end in October 2019 the CEO and chair attended a meeting consisting of senior members of these organisations at which time a commitment from all present was announced that a national body using a federated model would be formed. In this federated model it was agreed that each state body would retain autonomy within its state but at the same time be represented by a national body of which it was an equal voting member.

6.5 Board observations in relation to research question one: How do boards not-for-profit organisations make decisions?

During the observations it became apparent that no formal decision-making process was followed at this specific board, rather the vast experience of the board members appeared to guide them in the correct direction. The participant observation phase of the study supported proposition one that information and the timing of the presentation of this information are key to board decision making. The first solid information to be put to the board took over six months and was that provided by the governance committee who had been tasked with researching and reporting to the board with information that would enable a decision to be made. When the committee did finally report, the information provided was not ideal and did not relate to the

need to make change but rather how the change could be made. Information on the costs and benefits of making change took another six months to be presented. Both sets of information took the form of briefing papers. With no time frame put onto the need for the decision other than:

"we will revisit this later in the year"

no forward momentum was made.

The discussion paper produced by the board's governance subcommittee in July 2018 proposed two solutions for the board to consider. First the organisation would remain governed under the state legislation and remain registered with the state body but also register with the Australian national regulator for companies, the Australian Securities and Investments Commission (ASIC) to be able to operate at a national level. Secondly, the board dissolve the organisation's existing registration with the state body as an incorporated association and re-register with ASIC as a company limited by guarantee.

As well as providing the two options, the briefing paper also provided links to several web sites where board members would be able to find greater detail. It was clear that time was an issue and that clear and concise information was required by the board members who had little spare time for research. The briefing paper supplied by the governance committee after six months was certainly seen as welcome as was the input from the affiliate not-for-profit chair however, it was clear that the level of information provided was still inadequate for the purpose of decision making. It was not until the second briefing paper was provided by the CEO, nearly fourteen months after the subject was first raised that the board had enough information to make some form of informed decision. Part of the reason behind the excessive time taken to make this decision can be blamed upon temporary absences of key personnel but it is clear from the time scale and periods of total lack of activity that failure to provide information as well as failure by the chair to request it in this case was responsible for the long delays experienced by the board.

The observational study clearly supports proposition one: information and the timing of the presentation of this information are key to board decision making. This case demonstrates both the positive and negative effects that can be created by the chair by providing or not providing adequate guidance to the board to assist in the process. Firstly, the negative affects manifested by the board's vague discussions of the subject, which occurred for the first two meetings and were initiated by a lack of any guidance by the chair. It is unclear if this lack of guidance was an intentional attempt to give board members more time to air their views but the effect on the decision was negative. The board discussions achieved nothing and wasted two months. Secondly, under the direction of a new chair a time limit was placed upon the decision, which began to make things move again. Until the point at which a deadline was placed upon the board to make the decision, the only other input from the chair had been to postpone the discussion to enable all board members to become better informed.

6.6 Board observations and research question two:
Does the background of a director affect how they make a decision?

The second of the propositions, that board members perceive that a skills diverse board makes a better-quality decision. The decision facing the board and selected for use by this study proved to be of great value to this study as amongst other things it presented a question to a group of board members regarding a topic of which they had little or no previous knowledge or experience. Most of the board members were familiar with the Western Australian Associations Incorporations Act under which the operation of a state based not-for-profit organisation operates within Western Australia but few had any knowledge of the Corporations Act, Australian federal legislation under which an Australian not-for-profit organisation, which operates at a national level may be required to operate.

The board had gone to considerable lengths in order to achieve a level of skill diversity having used a skills matrix for several years previously in order to identify skill gaps. Out of the ten board members, four were male, six females. Six of the ten identified as having some form of lived experience with a mental health issue. One had a strong commercial background and one was a qualified accountant. During the period of observation, the one noticeable gap was that of a board member with a legal

background. Despite the wide and varied backgrounds of the board members none had any previous experience relating to the question presented to them. If the experiences of the board are indeed the sum of the experiences of the individual board members (Hillman et al, 2008) then this board's experience in relation to this question was zero.

For the best part of a year, prior to the background paper being supplied by the CEO the board seemed content to engage in low level discussion on the topic. Board members seemed to be happy to converse in the apparent hope that greater knowledge would be forthcoming. Twelve months after the topic was originally proposed such knowledge was forthcoming in the form of the briefing paper provided by the CEO. Upon reflection, the board placed great reliance upon the documents supplied for background information and yet as we were warned by Kate in the board members interviews:

> *"We do tend to take the opinion of those presenting facts to the board as correct and I wonder if we should not be checking their input for bias".*

During the interviews most of the subjects had agreed that having board members with varied backgrounds was a positive and that it would assist a board with its decision making.

Both reviewed literature and the views expressed by board members during the interviews suggested that the decision making process used by the board would be affected by the past experiences and values of the board members observed. Such affect was not apparent during the observed meetings. It is possible and even probable that personal affect, values and like would have an effect upon this board given a differing topic of discussion but in this case surprisingly it was not.

6.7 Board observations and research question three:
How can a board select directors who are less likely to be subject to group think?

This board did exhibit several of the precursors to groupthink: the interviews revealed a desire amongst the board members to achieve consensus and despite the observations that no formal decision making model was used, the board used a process with many similarities to a variation of the interacting group decision making

model. Despite this no actual indicators of groupthink were noted during the observed meetings. In the interacting group decision making model, one where face to face discussion takes place, weaker members of the group, social loafers or those attempting to hide lack of knowledge may be tempted to go along with the views of the stronger members of the group. Face to face discussion in a group such as this board, whose members list as one of their goals as that of consensus brings with it the inherent risks of groupthink and group shift. There will be occasions when consensus is impossible to reach and in such cases the board will need to revert to a vote. It is interesting that the board's constitution only required a simple majority vote to pass a motion but in the case of an impasse in relation to consensus such a majority is preferable to groupthink.

At each of the board meetings a process checker was appointed in advance who was responsible for conducting a review of each meeting at its conclusion. Whilst not required to mark the meeting according to pre-set criteria, the process checker was briefed to be on the lookout for board members not getting an opportunity to speak or an overbearing chair as a couple of examples. The use of a process checker also appeared to be advantageous in relation to the activities of the chair who could and did on more than one occasion come under the process checker's scrutiny at the end of a meeting for reasons that are not related to this study.

During the interview phase of this study board members described the use of independent experts whose advice could be sought in relation to matters of which the board members had little experience. Use of such experts did occur to a limited extent with the external advice sought in the form of meetings with the chair of another board that had been through the same process as well as the CEO of another board who had experience in this area. In the end the board relied upon information provided by the CEO and whilst on this occasion this information seemed to be well researched and adequate, the methods used seemed to be contrary to those suggested during the interviews.

6.8 Chapter six summary

This chapter reports on the findings from the observation of a board over the course of 14 meetings as they grappled with a key decision that would substantially impact on the organisation. On this occasion the board was clearly lacking information, lacking in both its content and its timing. It is acknowledged that this may be due in this case to the far more complex nature of the decision than normal and the fact that the topic was so far out of the normal experience level of the board members. In this case the facts, in the form of the briefing papers described earlier were slow to be presented and without them the board's knowledge base was insufficient to move ahead without suitable guidance from the chair which was lacking. It became apparent early on that this question would be a test for the board and, although no one mentioned it directly, it was susceptible to groupthink due to the lack of expert knowledge.

The chair in this case had two significant impacts upon the decision. Firstly, the board's vague discussions of the subject for the first two meeting were allowed to progress without apparent direction, which seemed to be occurring by design with the chair allowing the board members to air their views. Secondly under the direction of a new chair a time limit was placed upon the decision which began to make things move again. The observations achieved two key results. They have demonstrated that the perceptions of the board members do not always align with the practice of board decision making in relation to process. They also served to confirm many of the perceptions of the board members in relation to the role of the chair and the precursors to board decision making such as timing and quality of information, variables that will prove fundamental in the construction of a model to assist boards in this process.

Chapter seven: Analysis/Discussion

Chapter seven examines the findings of both the interviews and observations as they relate together to the research questions. As discussed in previous chapters a void exists in current knowledge in relation to the actual practice of board decision making in not-for-profits. This chapter shows how this study has started to close the void by building upon the available stock of knowledge on the subject.

This chapter provides insights into not only the thoughts and perceptions of not-for-profit board members in relation to decision making but also valuable information is gained via participant observation. This study has, by the evidence provided by both interviews and observation shown the need for adequate and timely information to be made available to board members. This study has found that the actions of the chair are key to the decision-making process and in the avoidance of groupthink and that poor meeting leadership by the chair can lead to poor board decision making process. The study has also found that a skills diverse board is better able to make decisions and is less likely to fall victim to groupthink. The following chapter explores and analyses the results from both interviews and observations and compares them to the existing literature in relation to how boards of not-for-profit organisations make decisions.

7.1 How do boards of not-for-profit organisations make decisions

Most not-for-profit boards only meet once a month for three or four hours so time is a precious commodity and, as in the examples of observations made by Machold & Farquhar (2013) time should not be spent on routine activities such as listening to briefings as part of a decision making process. Information is required by boards, not only of the correct quality but presented to board members in the correct volume and at the correct time. Without information boards, as demonstrated by this study, struggle to make a decision. This study showed that the perception of not-for-profit board members regarding information and decision making aligns very well with the existing research (Sand, 2012).

Why the information required for the decision in this case took so long to be presented is unclear and the supply, or lack of supply of information in this case may have some relevance to the governance related theories. The supply of information is dependent upon the executive being aware of the boards need and in this case that need was not clearly stated to the CEO. Agency theory relies upon certain controls being put in place by owners or boards in order to limit or control the ability of agents to manipulate the executive role in their own favour. It is possible that in the early part of the discussion the board felt that it had the expertise required or underestimated the complexity of the discussion. It is also possible that the CEO was not in favour of the growth of the organisation and was acting in their own self-interest, which would support Maharaj (2008) who claims that the supply of information is not always in the interest of the CEO but this study was unable to substantiate this.

A board clearly has a relationship to all three of the major theories discussed in this study: agency, stewardship and resource dependency and all three have a bearing upon how a board makes a decision based upon its situational awareness. Agency theory places the board in a supervisory role monitoring and checking of the executive actions of the CEO but also in selecting and guiding the CEO to provide operational information to the board as required to assist in decision making. Stewardship and resource dependency place more weight upon the need to select the correct type of board member and it could be argued that this is an example of board members who do not possess the required skills and knowledge. Indeed, if we suggest that the role of the board is to oversee all actions of executive management (Boivie et al, 2016) then agency theory does become the overarching theory of governance. This study proposes that the duty of a board is not normally to oversee actions of the executive but to appoint the CEO, and to set and monitor strategic goals that will align with the strategic direction of the organisation.

Alignment of interests between board members and organisations may be less important in cases where high levels of stewardship are present. Alignment does however appear to offer other organisational challenges. In the case of a federated model with board representation from each state it is unclear if the interests of each state promoted by a board member serve the interests of the national organisation as

well as that of the state in question. This study would suggest that stewardship alignment with the organisation as a whole provides a greater benefit.

By the finding that all three of the major theories have a place on the board, this study has provided additional support for Donaldson (2007) and the notion of contingency theory (Ghoshal 2005). Donaldson (2007) provides support that the theories are all contingent upon the circumstances in which the leader or board finds themselves.

In relation to volume and timing of information this study supports the proposition that the timely supply of relevant information to directors is vital to the decision making process and the fact that all but one of the board members interviewed rated the provision of timely and adequate information to board members prior to the meeting as important with statements like:

> "I learnt early on in my board career to get good information out to board members in time for them to be prepared"

being made it is clear that the board members perception aligns well with other studies (Carpenter & Westphal, 2001; Daily & Dalton 2003; Simon, 1979 and Vroom & Jago, 2007; Van Puyvelde, Brown, Walker and Tenuta, 2018). This alignment is supported by the observational component of this study as without adequate information the board decision making process was seen to flounder. Over a year after discussion commenced information was finally made available and within weeks of this action a decision was made. Figure 11 shows the effect, that either too little or too much information will have, in creating a negative effect upon decision making quality.

The need for the provision of information is important to the decision-making process but is not exceptional as it could be expected that without enough information board members, like any other decision maker would be ill equipped to make the decision. It is, however, of interest that conversely too much information can deter board members from reading the papers altogether. This problem was identified during the interviews by board members who gave examples of boards becoming:

"flooded with information"

to the point that decisions either needed to be postponed or may be made when not all board members have been adequately educated to make such a decision.

The concept of information overload was raised by the interviewees who agreed with Daily & Dalton (2003) who, in their study also found that more time may have proved beneficial to the area of decision making. Too much information can also be problematic and hinder decision making and is also well supported in the wider decision-making literature (Ariely, 2000; Speier, et al, 1999; Jones et al 2004). Figure10 shows the reported effect between the amount of time available to board members to study information and the perceived quality of the decision made. This concept of information overload is reported in literature and is also supported by the findings of this study. The concept is also described in practice by the Australian Institute of Company Directors who indicate that this overload is becoming common practice with many board packs reported to be exceeding hundreds of pages in length with some extremes managing one thousand (AICD, 2019). The data in this study did not reveal any example of information overload.

Complicating matters for a not-for-profit board is that it may not always be in the interests of all within the organisation to provide accurate, timely information to the board as in the case of a CEO not wishing to provide the board with bad news as they may fear repercussions (Maharaj, 2008). Although difficult to identify, no examples of information being withheld were evident during this study. The information gained from the face to face interviews aligns well with participant observation and literature and clearly supports the proposition one; information and the timing of the presentation of this information are key to board decision making.

This study has found that either too much or too little information can negatively affect a board's decision-making ability. The optimal decision is made if the board members have enough time to read and digest the material prior to the need to decide but not too long a period which would allow participants time to forget content therefore having a negative effect upon the decision made. Board packs, the papers given to board members containing the background to decisions required of the board

need to be made available in advance, but not too far in advance of the meeting. The apparent lack of information provided in this case prompted some board members to suggest that the board approach the chair of another not-for-profit organisation that had undergone a similar process in order to seek their advice on the matter. During the observations of the board, an excess of information was certainly not a problem with many board members claiming they were unable to locate information that had been placed on the board's online portal. Cloud based storage systems are gaining popularity for the storage and retrieval of board information permitting remote access to board papers in advance of meetings. It is now harder for board members to avoid accessing materials as revealed by Glow et al (2018) who demonstrated that the document owner was able to view who had accessed materials, explaining the they were able to see which (only 50%) board members had accessed their board papers.

As identified during the interview phase of this study, board members perceive their boards as following some form of process in relation to decision making, although most were not able to clearly articulate this process. The researcher felt that the subjects were aware that a process should be present and followed. Most participants attempted some form of answer to this question but only one, Virginia, who, when asked the same question responded with:

> "*The board papers are usually sent out seven to ten days before the board meeting so that we can absorb all of the information and then usually at the meeting the CEO will give a bit of a summary as to exactly what the decision is, what the background is and what outcome is expected or wanted and then you've got some opportunity to have some further discussion on it or if you've not had a satisfactory clarification before the meeting then you can ask questions then, and then the decision is voted on".*

Based upon both the interview responses and the observations made it is clear that most not-for-profit boards follow at best a basic process for making decisions. The basic process used is shown in figure 9 and includes the following steps: Once a need for a decision has been identified, the background information is provided to the board members, the board members read it, discuss it, and then vote on it.

It is of interest that at no time during the interviews or observations was the use of any form of formal decision making model suggested or questioned. It is possible that the board members were not aware of the existence of such models or their suitability for a board's needs. It seems likely that any form of model, even as basic as that shown in fig. 9 would have highlighted the problem of lack of information to the board.

The decision required of the board took over a year to be made. In the end the decision was made at a prescheduled strategic planning day facilitated by an external facilitator on a Saturday morning. This board normally made decisions very easily and quickly and would make a decision required of it once adequate discussion had taken place. This was the first time that the author had seen this level of procrastination in the board in his six years as a member. The reason for the delay was unclear but appeared to be due to a combination of several factors: lack of subject matter expertise on the board, possible perceived lack of importance of topic, although this was not stated by any board member and lack of chair direction.

This final meeting had an agenda consisting of three topics for discussion and decision. The question of becoming a national body was listed as one of three to be discussed that may influence the future strategic direction of the organisation. Prior to this meeting a well written briefing paper had been provided to the board by the CEO that offered not only background and fact relating to each of the three topics for discussion, but also a recommendation to the board with supporting evidence which was needed to make the decision.

The *ideal amount of information* while difficult to accurately define and measure, was clearly demonstrated in this case as being provision of all options available and the positive and negative impacts of each amount of information required. After a year of inaction and apparent procrastination the discussion centred around the potential benefits and costs to the organisation or the actual need for change rather than the mechanism by which the change could be achieved. The delay seems to have been a result of the board members not being provided with quality information required to make a decision.

This lack of information appeared to be compounded by inadequate board member expertise and knowledge in the area, which relates to research question two; Does the background of a director affect how they make a decision? On this occasion the board was faced with a decision on a subject about which it had no knowledge of potential benefits, costs or choice alternatives. The briefing paper also contained details of interstate organisations that are of a similar nature and that have worked in a cooperative nature with the organisation previously and it was suggested that the board set up an alliance with these potential allies in order to explore further. The board finally seemed to have enough information to make some form of informed decision. It is clear from the time scale and periods of total lack of activity that failure to provide information in this case was responsible for the long delays experienced by the board. The observational study clearly supports proposition one; information and the timing of the presentation of this information are key to board decision making.

The board was observed to make wide use of the procedures as suggested by Maharaj (2008) as leading to more effective board decisions as is the use of turn taking as well as provision of adequate time for debate (Bezemer et al, 2014). This provision of adequate time for debate was demonstrated by Pugliese et al (2015) to be seen by board members to be more inclusive. The interview observation stage of this study showed that a process checker was used by the board as part of each meeting to ensure that the processes used were appropriate. It was felt that this process checking component went some way to helping avoid groupthink by the passive encouragement of the characteristics suggested by both Maharaj (2008) and Bezemer et al (2014) but failed in this case to identify the underlying causes of the board's inability to make this decision.

It was suggested during the interviews that external experts may be used by a board in instances in which the board members lack the required expertise and this case would appear to be an ideal case. Support for the use of such a consultant exists in the literature (Tricker 2015) and we are told that a board requiring information that is outside of its area of expertise, as in this case, can use experts in specific fields to great benefit in their decision making. Why in this case the board failed to recognise the lack of information is a mystery as it appeared obvious at each meeting that this deficit was holding the decision back. The author, as chair of the board by this time,

was presented with the dilemma of providing guidance to the board, which may impact upon the research findings or maintaining the status quo and letting things run their natural course. In the end the author/chair did apply pressure to bring the matter to an end but only after several months, which was adequate time to observe the natural progression. The board did make some effort to seek an outside opinion in the form of advice from the CEO of another board, which had gone through a similar process but this advice concentrated upon how to undertake change rather than whether it was needed, which may have caused confusion. The level of input from the chair does seem to be contingent upon the needs of the board. At meetings where the board members are well informed and follow board process the role of the chair is no different to that of other board members. Once the board becomes dysfunctional the chair is required to step in and provide guidance.

In the end the board relied upon information provided by the organisation's own CEO and whilst on this occasion this information seemed to be well researched and adequate, the methods used to facilitate the decision making seemed to be contrary to those suggested during the interviews. It would appear in this case that the board members had no experience in this field and no clear process presented to them on how to deal with it. Had a formal decision-making process been in existence they could have been referred to this for use. This study, based on data from observation and interviews would suggest that the board members' previous life experience, greatly assisted them in their decision making but that when such decision making needed to occur outside of such experience a formal process needed to be made available for guidance.

Worthy of note is that this issue of strategic importance was after a year of indecision resolved at a board strategic planning meeting held on one Saturday morning. It is possible that this is coincidence but this does seem to align well with the findings of Zhu et al (2016) who suggest that strategic decisions will be best resolved, in the case of a not-for-profit organisation if they are addressed not during a regular board meeting but rather during separate, strategic planning meeting as happened in this case. Observation of the board supported the findings of Tricker (2015) that the non-executive director may have little expertise in the area of operation of the organisation and as a result may have little if any direct involvement with the organisation

(Tricker, 2015) other than their board involvement but in that regard are of great use for their strategic and governance roles (Dulewicz & Herbert, 1999).

The findings of the observation supported the findings of the interviews with statements by James underpinning the fact that without the provision of the information, no forward momentum occurred:

> "I learnt early on in my board career to get good information out to board
> members in time for them to be prepared"

and Marcus:

> "Here is the information, here is the time to study the information, now let's
> have the directors make an informed decision".

As soon as the information was supplied a decision was made within days, a lack of experience and knowledge in this unique field slowed or even prevented the process. Had the board possessed greater knowledge or had they enlisted the knowledge of external consultants in this field it is expected that a decision would have been achieved much sooner. Based upon this it is suggested that these findings clearly support proposition two: a skill (and therefore knowledge) diverse board makes a better-quality decision.

In addition to the quality, timing and volume of information provided to the board, the role of the chair was also shown by both interview and observation as having a great effect. The role of the chair impacts the way a board makes decisions and during the interviews it this became clear with comments such as:

> "I have seen perhaps a little too much interference from the chair. In some
> decision making the chair will express their preference prior to the vote being
> taken or decision made, and his words will have a bearing upon the vote if
> members wish to please or appease the chair".

Another board member statement that:

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> *"is going to come from the leadership of the chair of the board, unless the alternative is that members of the board have strong personalities and can stand up and support a good decision-making process with a weak or unstructured chairman"*

confirms this as does the literature. The comments made by Annette are very much in alignment with Bezemer et al, (2018) who, in their study of for-profit chairs found that greater board member engagement occurred when the chair directed rather than participated in the discussion process.

The role of the chair is shown to have a significant relationship to the board in studies such as Van Puyvelde et al (2018). This study has shown that at least two variables in the decision-making process as it applies to boards are affected by the chair: the role of the chair in guiding the decision-making process, and the relationship that the chair has with other board members. It is not clear if the chair/board member relationship has an effect upon decision making but it does seem to have an effect upon how it is perceived. This is also supported by Bezemer et al, (2018) who found that the level of engagement demonstrated by board members of a for profit organisation reduced as the level of discussion involvement of the chair increased. This level of involvement of the chair was also noted by Pugliese et al (2015) in relation to the amount of time available for discussion on a topic to be seen by board members as negatively affecting inclusivity when the chair had to constantly interject to keep the meeting running on time. Harrison et al (2013) discovered that in relation to the perceived effectiveness of the board chair leadership, those board members who rated their own relationship with the chair as high quality also rated the performance of the chair as high.

The effect of the chair upon the discussion and decision-making process is clearer with most describing some form of effect, either positive or negative. It seems that a poor chair can have the effect that:

> *"Sometimes the decision can be steered a little by the chair"*

a negative effect where the chair is able to manipulate the outcome of the decision to suit their own view. Although the effect of the chair can be negative most participants described it as positive:

> *"I think the role of the chair is to direct discussion to its conclusion"* or *"I think it's also the role of the chair to direct discussions, so you don't go off on too many tangents or bring in red herrings but it's a fine balance between doing that and cutting off the decision and cutting off the discussion".*

Selection of a good chair seems to be a key ingredient of good board decision making. This last example also seems to support the notion of obedience to authority (Wilhelm, 2012). It was probable from the observations that the board member with concerns about the power of the chair felt that the chair was in a position of authority over him and that he was not keen to keep arguing the point even though he did not agree with it. Obedience to authority as demonstrated in this instance is a contraindication of good decision making when the authority, either perceived or legitimate is trying to sway a decision in a certain direction. Not only is this bad for a board as the quality of decision will suffer but as could be detected during the interview, lasting bitterness can result (Ewick & Silbey, 2003) which cannot help the board function. This effect is supported by Samra-Fredericks (2000a) with the findings that both positive and negative emotional energy is stored in a "bank" for later use and that once a board member has their emotional energy drained, such as in the case of public loss of face in the boardroom, that board member will be in a lower power position at the next meeting due to this emotional banking effect. The discovery made by (Brundin & Nordqvist, 2008) was that "a board member who is expecting to be serviced but falls into a low energy state allows himself to become controlled" (pp 337) would also suggest that Sean had become an unsuspecting candidate for groupthink.

One of the board members interviewed was clearly getting emotional when discussing an event which, at the time may have resulted in a drain of his emotional energy. This drain apparently had the effect of putting him in a lower power position at the next meeting due to this emotional banking effect as described by Samra-Fredericks,

(2000a), which may also, according to Brundin & Nordqvist (2008) even result in a situation in which he allows himself to become controlled.

The event described above supports the work of Samra-Fredericks (2000a) as do the actions that occurred after it when Annette who, when she witnessed the effect of the event upon Sean waited until a suitable private moment presented itself to discuss with the chair. By acting in this way Annette, avoided placing a fellow board member (the chair) in such a position that may of effected his *emotional storage bank* (Samra-Fredericks, 2000a). It seems that in the board room at least; winning an argument is important, but winning and leaving your opponent emotionally intact may be even more important to avoid a dysfunctional board.

It is important here to restate the role the chair. The chairs duties include presiding over board meetings and ensuring an efficient and effective board (Mallin, 2013). The role of the chair is undertaken by a board member who has their own individual duties such as participation in decision making and therefore this individual is wearing two hats. Role conflict occurs when a role such as that of the chair of the board has divergent expectations (Robbins et al, 2008). A chair is a board member and as such has an opinion and is able to participate in discussion but also needs to be seen by other board members as impartial.

The chair in the observed case had two significant impacts upon the decision. Firstly, the lack of direction provided by the chair to the board's discussions of the subject for the first two meeting was allowed to progress without apparent direction, which seemed to be occurring by design with the chair allowing the board members to air their views. The then chair moved that the topic be passed to the governance committee for further investigation and asked that this committee report back to the board with a recommendation, however, no time limit was placed upon this action and no action appeared to result from the request. It was apparent that more structure was required in relation to the board decision making process. Secondly, under the direction of a new chair a time limit was placed upon the decision which began to make things move again. The inaction by the board in relation to this decision placed the author in the unusual position of having to take an active role in the process as he was by now chair himself.

The chair, in their role as a general board member was involved in the general discussions on this topic as were all other board members. The inaction by the board in relation to this decision placed the author in a dilemma as he had now been elected as chair and needed to guide the board without influencing how a decision was made. The author decided to, in keeping with the "one of the lads" philosophy (Huse & Zattoni, 2008) move the board to action by creating a deadline for the decision but not make suggestions as to how the decision would be reached. Until the point at which a deadline was placed upon the board to make the decision, the only other input from the chair had been to postpone the discussion to enable all board members to become better informed.

The role of the chair has a significant effect upon how board decisions are made. This support is based upon the clear effect that the chair had upon the board in relation to both of the opportunities for chair intervention; permitting discussion to occur without time limit or by the placement of deadlines as well as the information collected during the interviews. The author feels that these two actions demonstrate the effect of two diametrically opposed actions by the chair at extremes, one showing the effect of the complete absence of chair guidance and the other the effect of firm chair guidance on the same group and topic.

The interview evidence suggesting a correlation between the board and the decision-making process was strong and was articulated by James as:

> *"Is going to come from the leadership of the chair of the board, unless the alternative is that members of the board have strong personalities and can stand up and support a good decision-making process with a weak or unstructured chairman".*

Clear evidence of manipulation by the chair, was seen in the incident involving Sean and the chair's perceived attempt to control him. It is unclear if the chair was attempting to manipulate the discussion or if he just felt that enough time had been allocated to the subject but as Sean's emotional energy level was seen to drop, so was his power level (Brundin & Nordqvist, 2008).

If Sean's self-perceived power level was reduced by his encounter with the chair then it is reasonable to assume that there would also be an effect upon his ability to argue a point if that point was contrary to that held by the chair in the manner supported by Samra-Fredericks (2000a). Annette's action, during the observation, when she witnessed the effect of the chairs manner upon Sean also seems to support the role of the chair exerting considerable influence or her action would not have been required. Good quality information provided sooner either from the boards own research or by the use of an external source could have saved several months of inaction. The placement of a deadline by the chair had a complete opposite effect upon the board and acted as a call to action. Once the deadline had been placed, the decision was made at the very next meeting. Figure 13 lists the suggested attributes of a board chair as they relate to the subject of board decision making.

Figure 123. Attributes of the chair in relation to decision making.

(Source: authors own work)

	Attribute	Based upon
Pre meeting	Ensure adequate information	Interviews/observations/literature
Pre meeting	Ensure timely information is provided	Interviews/observations/literature
Pre meeting	Ensure adequate time for discussion	Interviews/literature
During meeting	Ensure all have their say	Interviews/literature
During meeting	Keep meeting to schedule	Interviews/observations/literature
During meeting	Be impartial	Interviews
During meeting	Limit chair involvement in discussion	Literature
During meeting	Have casting vote	Literature
During meeting	Watch for groupthink	Interviews/literature

This boards discussions in relation to decisions followed a combination of the interacting group decision making model (Kugler et al 2012) where face to face discussion takes place and the nominal group technique (Van de Ven & Delbecq 2014) where participants generate various options relating to the decision in question on their own. The board, through provision of information in advance of the meeting did seem to permit individual contemplation of the problem, options and results prior to requiring face to face discussion at a board meeting. The problem experienced with the interacting group decision making model was that it does rely upon knowledge or

information being provided and in this case the members lacked it and the board was not provided with it.

7.2 Does the background of a director affect how they make a decision?

The observation phase of this study was able to support the second of the propositions, that board members perceive that a more diverse board - in this case a skills diverse board - makes a better-quality decision based upon evidence that as no skills or experience in the topic was available, no decision was able to be made. The observation phase was, however, unable to explain why a group of such experienced board members seemed unable to move forward and gain the information required without direction from the chair.

The personal background of a board member has been seen to have a subtle influence on the board decision making process and is far more complex than it appears. Literature has suggested that decision making models that are totally qualitative such as the political or process models have gained popularity and that there is a need for close monitoring as these models can be easily affected by an individual's beliefs and attitudes (Parayitam & Dooley, 2011; Rodríguez-Ponce & Pedraja-Rejas, 2012).

In relation to the observed board, the information required to make the decision was clearly lacking, lacking in both its content and lacking in its timing. From the authors own personal experience of this board, this example is unusual for this board and may be due to the decision being far more complex than those that the board are normally faced with coupled with the fact that the topic was so far out of the normal experience level of the board members. It was clearly apparent that the board members in this case had little or no personal experience or knowledge in the subject but the effect that it had upon the board's ability to make the decision was significant in the extreme. There is plenty of literature (Balta et al, 2010, 2013; Steptoe-Warren, Howat, & Hume, 2011) supporting the proposition and yet in this case all board members seemed paralysed by lack of information and experience. The perceptions of the interview participants in relation to knowledge and skills diversity is clearly in support of the study by Hillman et al, (2008) that the experiences of the board are the sum of the experiences of the individual board members.

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The evidence from the observations suggests that without appropriate experience provided by a suitable background of broad experience in a wide range of fields including management and governance as well as expertise in the area of operation of the organisation board members will need to rely upon some form of external support to provide the information and direction required. The observational evidence supports that the overwhelming majority of board members interviewed would say yes to the second research question; Does the background of a director affect how they make a decision? Most participants agreed that boards need to be "constructed", with the members selected to fill gaps in board knowledge and experience. In relation to a skills diverse board making better quality decisions, all respondents rated the selection process used to recruit board members as important for decision making. This finding supports the substantial existing literature relating to skills diversity (Daily & Dalton, 2003; Robbins, Judge, Millet, & Marsh, 2008; Stone, 2008). This finding is important as it contrasts with one study (Wan & Ong. 2005) who in their study of corporate boards in Singapore state that "board process seems to play a more important role than board structure" (pp 285). A well-structured board may be even more important in small not-for-profit organisations as smaller organisations are shown to be at a disadvantage in relation to decision making as the views of their top managers are shown to be influenced by their past experiences (Balta et al, 2010, 2013; Steptoe-Warren et al, 2011).

Not only may the board need to be aware of the personal influences of managers but according to Maharaj (2008) board decisions can also be affected by the personal history of the board members or even values of the corporation itself. One interviewee stated that:

"Modern boards have to be constructed; you can't just have a general meeting and elect them".

Use of an adequate board member selection process appears to be more common to the larger organisations however this may be a product of larger organisations having the resources, knowledge and experience to seek directors with specific skill sets where smaller boards may not. Larger organisations are more likely to advertise roles widely, use professional recruitment agencies, follow role dependent selection and

interview processes and have these based upon well researched skill and knowledge gaps indicated in a board skills matrix. Smaller organisations may be required to accept the board members that are available from their general membership.

It was clear from the majority of interviewees that they had no time for poor decision making so they placed great weight on the correct composition of the board to achieve this. A comment from one respondent typified the views expressed on the subject when he stated that the large boards in which, he had been involved a skills matrix was used to identify gaps and that board members were:

> *"Recruited specifically with complementary knowledge, skills and expertise needed to make decisions".*

It is common practice for boards to maintain a director's skills matrix (Simmons, 2012) such as that described to ensure that during recruitment: directors are selected who meet the required skill and experience requirements to fill gaps in board expertise as well as reducing the risk of nepotism (Maharaj, 2008). It seems logical that the board of any not-for-profit should maintain a register of the skills required by its board as a means of identifying any gaps and assisting with selection of future board members. An interesting practice was discovered where at least one not-for-profit organisation from our sample required a proportion of its board members to have had a *lived experience* in the field that the not-for-profit serves as a prerequisite to board membership a phenomenon that is well reported in literature (Australian Broadcasting Corporation, 2016; Johnson, 2011).

Board membership prerequisites such as equity purchases or option payments in the for profit sector are made in order to increase alignment of board member interests with that of the organisation in an attempt to reduce agency costs. These prerequisites have been reported (Daily & Dalton, 2003) as not having a negative effect upon diversity but it is hard to see how any practice that limits opportunities for newcomers onto not-for-profit boards can have a positive effect in relation to skills diversity. The first part of this study clearly supports the second proposition; not-for-profit board members believe that a skills diverse board makes a better-quality decision. Alignment of interests between board members and organisations may be less important in cases where high levels of stewardship are present. Alignment does however appear to offer other organisational challenges. In the case of a federated

model with board representation from each state it is unclear if the interests of each state promoted by a board member serve the interests of the national organisation as well as that of the state in question. This study would suggest that stewardship alignment with the organisation as a whole provides a greater benefit.

No board will be able to select members that will provide all the expertise ever required and the use of external support to fill such gaps in the board skills matrix is well documented (Simmons, 2012). Concern was raised during the interviews in relation to placing too much faith in the information provided to the board by a third party and suggested that:

> *"We do tend to take the opinion of those presenting facts to the board as correct and I wonder if we should not be checking their input for bias".*

This observation is not supported in literature but does link to legislation in the form of the Corporations act 2001 section 189 (Australian Legal Information Institute, 2019), which states that expert advice can be relied upon as long as certain conditions are met such as the board member having reasonable grounds to believe such advice is reliable and competent in relation to the matters concerned. As discussed in the literature review, agency theory suggests that there may be a bias to this information in favour of the CEO (Maharaj, 2008). Corroboration of the facts provided by the CEO would have reduced the possibility of any agency effect.

It would make sense for a board considering a decision of great importance to have the impartiality of any information provided independently validated. The cost of such validation would prevent its use on day to day matters. For vital decisions the cost of not validating may be even greater but does align with the notion that an external expert could be contracted by a board to provide unbiased advice aligns closely with Tricker (2015).

Although not normally thought to be relevant to this type of group decision making arrangement, there are parallels with the punctuated equilibrium model (Robbins et al 2008), a model normally only associated with temporary groups. The punctuated equilibrium model relates more to group development than classical decision making

but seems worthy of note due to the apparent similarities in behaviour. Typically following this model, a group is formed for a task and a deadline set as was the case with the board decision. The model states that no action occurs for the first half of the time provided with a sudden burst of activity occurring at the midway point followed by another lull and then tasks being finalised in about the last third of the time available (Robbins et al, 2008). This study does not suggest that board decision making follows the punctuated equilibrium model but does suggest that a time frame placed upon board decision making would prove productive. Future studies may find some form of commonality between board groups and timelines such as this one.

It was clear from the answers provided during the interviews that the differing backgrounds of the participants were having a bearing upon the answers. Even when the answer had the same end result, it was clear that the question had been viewed through a lens coloured by the past. When asked about the factors affecting decision making, all responded with information as at least one of their perceived factors but all presented the same answer from a different viewpoint. James and Marcus both had private sector for profit as well as not-for-profit experience as both board members and managers and both seemed to look at the question through a similar lens. James:

> *"I learnt early on in my board career to get good information out to board members in time for them to be prepared".*

Marcus:

> *"There is a danger that boards are flooded with information which is guaranteed to make sure half the board don't read it".*

Both Marcus and James seemed to speak from their commercial background and with the background of a decision maker shown to influence their decision making (Balta et al, 2010, 2013; Steptoe-Warren, Howat, & Hume, 2011; Hillman et al, 2008). It is likely that board members such as these are likely to make decisions using a commercial perspective.

Sherry who had a very different background in emergency response compared to the corporate world of Marcus and James spoke more from a personal perspective:

"*I think it would have been good to go through the issues initially*"

and went on to say

"*you tend to forget it and have to go back and ask*".

Annette, with a clinical psychology background seemed to look far deeper into both question and answer:

"*I pick up sometimes that the information from the CEO is a bit biased*". "*If I was a CEO, I would be biased*"

and that

"*you've got to look at the information but you've also got to know that all of us come from a viewpoint and so you just need to keep in mind*".

Not-for-profit boards, according to Abzug & Galaskiewicz (2001) have never been or sought to be, representative of the population. Some authors propose that legislation is required to help bring the proportion of board members in line with the proportion of the different groups within society being under represented on boards (Ramirez, 2003). Diversity is important to boards as it expands the information available to boards from the greater pool of knowledge and experience available when making decisions. We have seen that better information leads to better decision making. This study has demonstrated this both by interview responses and from the negative affect that lack of information had upon the board during the observations. In relation to diversity of participants, when questioned as to their meaning of diversity in the context of their answers clarified this as being skills diversity as opposed to gender, race or religious diversity. One interview participant described the need for diversity on a board as:

"Not necessarily requiring boards to be representative of the general population but they do need to be representative of the group that you are representing".

Mature boards would be expected to be comprised of members who are selected to reduce the board's susceptibility to the effects of groupthink. Many of the interview participants listed consensus as an important part of board decision making boards. This could be a cause for concern as too greater desire for consensus will sow the seeds of groupthink (Houghton, 2015).

7.3 How can a board select directors who are less likely to be subject to group think?

Not-for-profit boards can be affected by groupthink, where the desire to form consensus overrides the desire for realistic appraisal of alternatives (Robbins et al, 2008). Groupthink can be the scourge of group decision making due to its ability to narrow the choices available through creating a need for consensus rather than a need for the best outcome (Robbins et al, 2008). It was certainly expected to have an effect upon the board during the observational phase of this study. Surprisingly very little evidence of groupthink was present although most if not all interview participants were aware of it and had ideas or comments to make in relation to the phenomenon. In relation to the third research question: How can a board select directors who are less likely to be subject to group think? The interviews showed that board members seem to be aware of groupthink and see the role of an experienced chair who is able to, when required, steer the discussion in the correct direction as vital in this regard.

Another possible explanation for the lack of observed groupthink could be that of stewardship theory. If indeed the a board member perceives their role upon a board as contributing to personal power, then a stewardship / principal type relationship will exist (Vallejo-Martos & Puentes-Poyatos, 2014) and possibly lead to a desire for a quality outcome that will override the drivers of groupthink. This desire has been reported in the case of the family business being more likely to foster a stewardship / stewardship / principal relationship (Vallejo-Martos & Puentes-Poyatos, 2014; Vallejo, 2009). This affective component of commitment may also manifest itself

within the not-for-profit board (Aeschbacher & Addor, 2019; Sabella et al, 2016) leading to greater stewardship qualities helping to reduce groupthink.

From the interviews it is apparent that board members see themselves as being a product of their past and that it is impossible to select board members who are not affected by their own personal backgrounds and history. The board members interviewed seem to see this as a positive as long as new members' selection processes seek out persons with a background or history that will add to the board's knowledge and skill level. It was interesting that none of the participants mentioned the importance of the fit of a new member to a board as Elms et al (2015) describe this as just as important as skills as without a good fit the board member would be unable to operate well within the board environment.

Although not stated by any participant during the interviews, during the observational study it became apparent early on that the question of the potential changes to the organisations legal structure would be a test for the board and, although no one mentioned it directly, its susceptibility to groupthink due to the lack of expert knowledge. Throughout the process there was no evidence of groupthink despite the use of the interacting group decision making model as put forward by Kugler et al (2012), which due to its use of face to face discussion is susceptible to the risks of groupthink and group shift. The interacting group decision making model uses unstructured discussion within a group to debate the various available options and their respective outcomes. One possible explanation for the lack of observed groupthink may be suggested by Hillman et al (2008), who suggest that board members with *multiple identities* (greater experiences) are more likely to exhibit greater personal status security and as a result be less likely to suffer from group effects. Although the study described a reduction in effective monitoring as the group effect, it is likely that their status security would also translate into less susceptibility to groupthink due to their reported reduced self-censoring in the boardroom and a willingness to question each other.

The use of turn taking as well as provision of adequate time for debate is also suggested as way to improve decision making and avoid group think (Bezemer et al, 2014). Turn taking is certainly useful and if all members actually have something of

use to say it will reduce the effect of groupthink but Maharaj (2008) sees the problem as serious and calls for further research to discover how companies can recruit board members who are not predisposed to a groupthink mentality? The use of turn taking was clear during both the observations and interviews. When one board member, Sean felt that he was not getting an opportunity to speak not only did he become upset by this situation but another member of the same board who witnessed the event felt strongly enough about it to approach the chair after the meeting to raise the issue of allowing board members to take turn in speaking. Not all board members are expected to be experts in all areas and Bezemer et al (2014), who in one of the few observational studies into the workings of boards, describe different directors as dominating differing areas of discussion and as having differing levels of involvement in discussions on different subjects. Two interviewed board members identified a possible solution to this challenge as being training of board members. One gave an example of a board member who kept giving anecdotal information and failed to connect with other board members but after some internal board training became a valuable contributor to their decision-making process.

The interviews did raise the possibility that any board procedure that increased the perceived pressure placed upon a board member to conform could increase the possibility of group think. The example given during the interviews was that of a member having to speak out against a formal resolution. It could be expected that the increased pressure resulting from the situation described above would have little effect upon an experienced, knowledgeable board member. However, in the event that the board member in question had been subject to a reduction in emotional energy prior to the event as described by Brundin & Nordqvist (2008), the pressure to conform could be great and the effect upon the quality of the decision significant. Several important findings were discovered during the literature review such as board members emotional energy level being related to their power level and that board members with high levels of emotional energy are order givers, as their emotional energy level drops so does their power level (Brundin & Nordqvist, 2008).

The board's lack of expert knowledge as well as its failure to engage an external expert as well as its use of the interacting group decision making model (Kugler et al 2012) and its desire for consensus increased its susceptibility to groupthink. Although

this board did exhibit several indicators of susceptibility to group think such as lack of input from all members, lack of devil's advocate, lack of discussion of alternatives as well as excessive direction by individual board members (Robbins et al, 2008). Despite this, there was no such behaviour apparent during the meetings. Groupthink can be difficult to identify and during the observations the indicators were taken as being Due to the lack of perceptible signs of groupthink despite having processes such as group decision making and the desire for consensus, this study finds support for proposition three; mature boards are comprised of members who are selected to reduce the board's susceptibility to the effects of groupthink. The interviews have shown that board members need a certain amount of knowledge of a subject in order to be able to properly understand all alternatives and consequences of a given decision.

Not-for-profit board members are normally appointed by vote of the general membership of the organisation as was the case in the observed board in the same manner as described by Guosong (2010). It is difficult to see how the general membership of any organisation is able to select the most appropriate board members at a meeting. The staggering of replacement of board members so that no large scale loss of corporate knowledge occurs, which is a common practice on this board where many boards replace a third of their number each year providing a complete turnover every three (Guosong, 2010).

Figure 14 shows a proposed model that may assist not-for-profit boards to capture the salient points identified by this study. The need for boards to use some form of model is supported by both the interviews and observations conducted as a part of this study and by the findings of Kahneman (British Broadcasting Corporation, 2021). The interviews show that board members already believe that they use or should use some form of process or model. The observations show that without such a model the process can be seen to stall and the level of noise or "variability of error" (British Broadcasting Corporation, 2021, no page number) provides examples of knowledgeable individuals coming to varying conclusions even when using the same evidence and not being able to explain their decision.

The model provided is based upon the rational decision-making model (Harrison, 1993) and as a result has some dependence upon the same assumptions as used by that model, assumptions are:

- The more ambiguous the problem, the less reliable the solution.
- The more possible alternatives and weightings known, the better the solution.
- Time is not an issue (for discussion or decision making).
- The decision maker is seeking the alternative of greatest worth.

I now describe the various steps of this model which have evolved as a direct result of the research conducted for this study. This model, whilst acknowledging the limitations described by Harrison (1993) builds upon the basic model by adding steps identified during this research which also addresses, to the degree practicable the six variables described by Rodríguez-Ponce & Pedraja-Rejas (2012).

In the board planning stage, it will be beneficial for all boards to create a board skills matrix showing the skills required by the board and identifying any gaps. Board vacancies may then be filled seeking members who can fill the gaps identified by the matrix. Rationality, shown to be corellated to the organisations performance (Elbanna, Thanos, & Papadakis, 2014; Harrison, 1993; Rodríguez-Ponce & Pedraja-Rejas, 2012; Shear et al, 2013) is a requirement of this model and it would be expected that the board selection process recruit members with high levels of rationality. Harder to identify are those board members who may politise the board decision making process and it is unlikely that the negative affects of politicisation can be leminated from board decisions entirely.

In the pre meeting stage, any decisions required of the board need to be identified and adequate information provided to the board in a timely manner. This will give all board members an opportunity to read and digest the material as well as seeking guidance and advice prior to the meeting.

During the meeting stage enough time for adequate discussion needs to be provided including, if required, the deliberate inclusion of dissent to stimulate cognitive conflict (Bradshaw et al 1992; Rodríguez-Ponce & Pedraja-Rejas, 2012). The findings

indicate that external experts may be useful to boards in matters of significant importance although it must be understood that this can cause significant delays in the process. The flexibility suggested by Rodríguez-Ponce & Pedraja-Rejas (2012) can be provided as, at this point if ready the board may either make their decision or if required be directed on another course by the chair.

In the post meeting stage, the board needs to examine the results of previous decisions and ascertain if they were correct or if changes to process may have led to a better outcome. In the board planning stage, it will be beneficial for all boards to create a board skills matrix showing the skills required by the board and identifying any gaps. Board vacancies may then be filled by seeking members who can fill the gaps identified by the matrix. It is clear that many factors can affect how a decision is made and that the board chair is uniquely positioned to be able to exert some control over these factors. As a result, there is support for proposition four: the role of the chair has a significant effect upon how board decisions are made. The board decision making model proposed by this study and shown in table 13 has eight mandatory and three optional steps that are now explained:

The board planning stage consists of the first two steps and needs to be developed and implemented well in advance of the requirement for any major board decision.

- *Step 1 Development of board skills matrix*. Creation of such a matrix by the board highlights the boards strengths and weaknesses and assists in recruiting to fill gaps in board expertise. This stage of the model is supported by the literature (Daily & Dalton, 2003; Robbins, Judge, Millet, & Marsh, 2008; Stone, 2008; Abzug & Galaskiewicz, 2001; Tricker 2015; Maharaj, 2008) in an attempt to gain diversity; the interviews with many participants describing a matrix as a useful tool; and the observations where it was clear that a lack of skill created a problem in relation to making a decision.

- *Step 2 Selection of board members.* The interviews conducted for this study show that process such as good chair leadership rather than member selection have the greatest affect upon the reduction of groupthink. Most interview

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respondents claim that board members need a certain amount of knowledge of a subject in order to be able to properly understand all alternatives and consequences of a given decision and that this will also help reduce the effect.

The requirement of knowledge to reduce the effect of groupthink is also supported by Robbins et al (2008) who, although not directly referring to boards, also suggest decision takers who will not try to provide excessive direction are needed. Bezemer et al (2014), who in one of the few observational studies into the workings of boards describe different directors as dominating differing areas of discussion and as having differing levels of involvement in discussions on different subjects. There is little that can be done during the selection process other than to ensure potential members are aware of the effect and have a good level of background knowledge.

The pre meeting stage consists of the three steps and needs to be developed and implemented well in advance of the requirement for any major board decision.

- *Step 3 Identification of need for a board decision.*

- *Step 4 Supply of information to the board.* The requirement for the supply to the board of both adequate and timely information was rated by nearly all interview participants as vital. It is however important not to overload board members with unnecessary information, which can cause overload and failure to read. A lack of information was also noted as the main reason that a decision was unable to be made by the board during the observations.

- *Step 5 Time available for consideration.* From both the literature and the results of this study it is clear that board members require time to read and digest the information required to make a decision prior to the meeting. What is not clear is how much time is enough time and how much is too little.

The meeting stage consists of the three required plus another three optional steps. Optional steps such as chair intervention would obviously not be required unless the process began to appear dysfunctional and external advice may only be required in

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cases where the board members themselves lack relevant expertise in the field to be discussed.

- *Step 6 Board discusses options.* The board now considers and discusses all available alternatives and their implications. We have discussed how a board may be subject to groupthink and other impediments to good decision making such as the desire for consensus. The evidence from this study shows the role of the chair is vital in ensuring full and robust discussion as a part of any decision-making process. The chair is also shown to be vital in avoidance of any level of affective conflict occurring (Rodríguez-Ponce & Pedraja-Rejas, 2012) during discussions and in the event that a risk of this occurs may need to consider not implementing step 7 for fear of exacerbation.

- *Step 7 Introduction of dissent.* In the case of important decisions, it is important that initially accepted decisions are challenged. Introduction of dissent was not indicated by either interview or observation but is supported by literature (Bradshaw et al 1992). Introduction of dissent will also stimulate some level of cognitive conflict as suggested by Rodríguez-Ponce & Pedraja-Rejas (2012).

- *Step 7a Optional external expert advice.* In the case of a major decision, one that holds significant implications for the organisation or in the case of a decision relating to a topic on which the board has little internal expertise the advice of an external expert can be beneficial either during the discussion process or as part of a validation process. The use of such advice is supported by evidence gained from two interview participants as well as the stagnation of the decision-making process due to lack of expert information during the observations.

- *Step 7b Optional chair intervention.* Chair intervention should only occur if the process becomes delinquent or lacks the indicators of procedural justice: the right to accept or reject ideas based upon merit alone, fairness in the process, transparency in actions, opportunities for voice and impartiality in

decision making (U.S. Dept of Justice, 2021; Rodríguez-Ponce & Pedraja-Rejas (2012). The need for such intervention may indicate incorrect selection of board members.

- *Step 8 Board makes decision.* This should now be the simplest step as the board now has all the correct information, has had the time to consider the options, has had the input of external experts, has considered dissenting views and has held a robust discussion where all available alternatives and their possible outcomes have been considered.

The post meeting stage consists of one optional step, that of an optional review.

- *Step 8a Optional validation of decision.* The final validation of the decision is optional but significant as a review of the board process and its ability to provide the board with a quality decision. This final stage was only suggested by one interview participant but was felt to be worthy of inclusion as an optional step.

Chapter seven brought together the results of the interviews and observations, and compared these to the current knowledge on the topic. This analysis has shown that adequate, timely quality information is seen my all as key to good decision making by a not-for-profit board. The role of the chair is another area that interviews, observations and literature agree upon. The chair is able to guide a board in difficulty to find the knowledge and information required. Boards need to be constructed of the correct people with the correct knowledge. Groupthink whilst expected to be a concern was not observed. These findings clearly support a board with well selected members, an efficient chair and adequate and timely information as being well placed to make good decisions on behalf of the not-for-profit organisation they represent.

Whilst the selection of board members who are less susceptible to groupthink is vital on any board, selection of processes and procedures that lessen the effect are also required. There is a fine line between consensus and groupthink and it is incumbent upon board members to engage in robust discussion in an attempt to achieve consensus but assuming consensus requires buy in from all parties it may be impossible to achieve and at best result in some form of satisficing (Sampson and

Daft, 2009). Groupthink was not identified as a problem occurring during this study, however, as a safety device for boards would be to ensure that a constitution is drawn up or contains the requirements to attempt gaining consensus in the first instance but provides for use of a simple majority vote if this consensus cannot be achieved. This step, by reducing the pressure placed upon individuals to conform will allow for dissenting voices and reduce the risk of groupthink.

Figure 134. A model for board decision making

(Based upon results of this study)
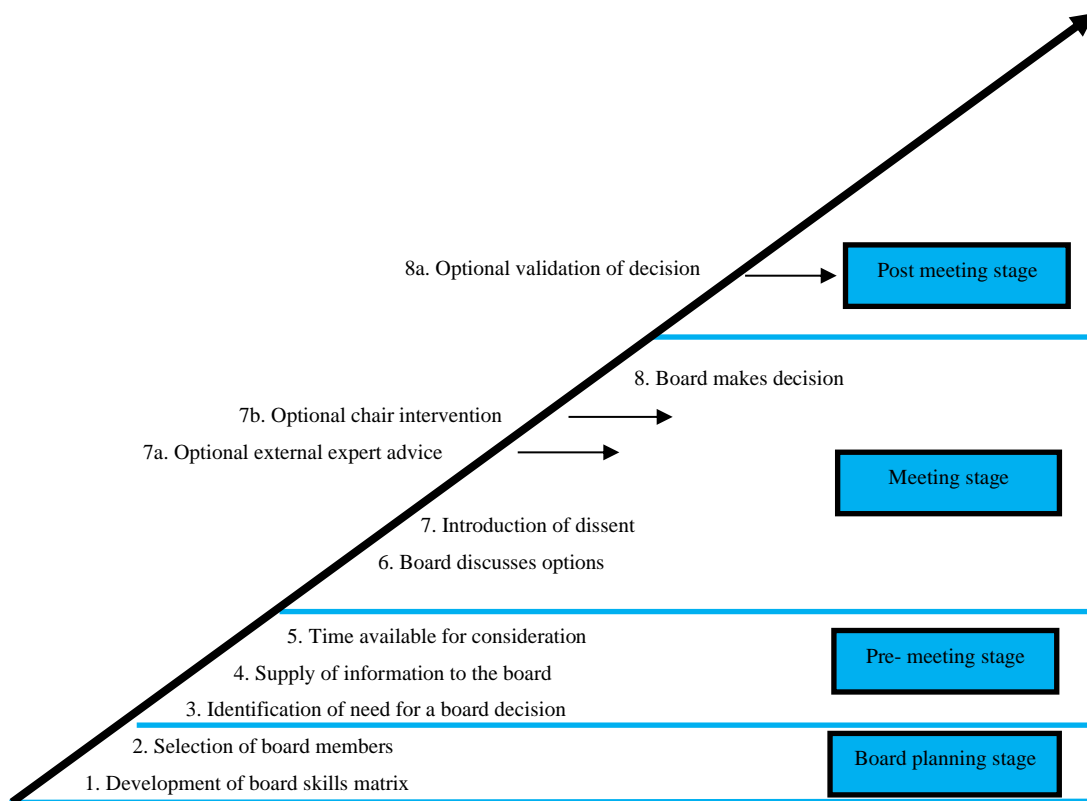
Chapter eight: Conclusion and recommendations

This study commenced with concern about the way in which not-for-profit boards make decisions based upon the author's personal observations as a board member. A review of previous research on not-for-profit boards revealed the need for observational studies into the practice of boards (Finegold et al 2007; Wan & Ong 2005; Dulewicz & Herbert, 1999; Payne et al, 2009; Tricker, 2015; van Ees et al., 2009) with some researchers (Payne et al, 2009; Coombes et al, 2001) describing great difficulty gaining access to boards for the purpose of study due to the secrecy around board processes. Gaining access to boards has never been easy and most of the research into the subject has been completed using historical data that has been analysed by using quantitative methods. This study has contributed to this knowledge deficiency by primary research into decision-making by not-for-profit boards including an observational study. In relation to the three research questions posed by this study the following summary outlines the contributions that this study has made in relation to the methods, theory and practice of boards:

In relation to research question one: How do boards of not-for-profit organisations make decisions?

Methods: This study has added to the small volume of studies using observation methodologies providing observed practice of boards as called for by many researchers (Finegold et al 2007; Wan & Ong 2005; Dulewicz & Herbert, 1999; Payne et al, 2009; Tricker, 2015; van Ees et al., 2009).

Theory: Based upon the results this study has developed a model for use by not-for-profit boards to help them make efficient and effective decisions. This study has also demonstrated that board structure was significant in that board members with the correct skill and experience level need to be in place.

Practice: This study has shown that whilst not-for-profit board members perceive the need for a formal decision-making process, in practice they do not have or use one and also highlights the problems caused by this lack of process.

The study also demonstrates that the role of the chair is key to ensuring adequate and timely discussion and decision making and the advantages of using a director skills matrix as well as the advantages of having a number of board members with a lived experience relevant to the not for profit's mission. The study showed that board structure was significant in that board members with the correct skill and experience level need to be in place in order to be able to engage in informed discussion and decision making.

This study has presented an optimal board decision needs framework in figure 15 which demonstrates the required relationship between board members, board processes and information.

In relation to the second research question: Does the background of a director affect how they make a decision?

Practice: This study has demonstrated that a board member without content knowledge relating directly to a decision will be unable to make that decision.

Relating to the third research question: How can a board select directors who are less likely to be subject to group think?

Theory: This study has shown support for the study by Hillman et al (2008) who suggest that board members with a wider ranging knowledge base are more likely to question others and as such be less prone to groupthink. This study has also identified an optimal board decision needs framework, which shows the requirement for adequate people, processes, and information as well as the effect that deficiencies in any one sphere can produce. To make a quality decision a not-for-profit board requires the correct people to follow the correct procedures and be presented with the correct information in sufficient time.

Practice: This study has shown that the practice of having a process checker at board meetings who completes a meeting review at the conclusion of each meeting has a limiting effect upon group think and interference by the chair.

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Given the value of the not-for-profit sector being $2.746 trillion U.S. dollars in North America alone (Tolbert et al, 2010) and the number of persons employed within it being - in 2013 - 1,081,900 persons or 9.3 per cent of the Australian workforce (QUT Business School, 2014) the need for good decision making by boards is clear. Given the impact upon society such as delivery of meals, shelter for the homeless, provision of emergency aid or the like, the importance of a well-functioning not-for-profit sector whose actions are based upon good decisions is evident.

This study sought to address a gap in the current knowledge relating to how the boards of not-for-profit organisations make decisions. I have described the results of the study and identified four propositions that were developed as a result of a review of the contemporary literature. Research participants were then questioned to examine if their responses supported or contradicted these propositions and existing knowledge. The study found that the views of the not-for-profit board members interviewed for this thesis generally supported the available literature with one major exception. The study showed that board structure was significant in that board members with the correct skill and experience level need to be in place and this contrasts with Wan & Ong (2005) who claim that the board process seems to play a more important role than board structure.

The variance in this study could be caused by a number of differences in methodology. Firstly Wan & Ong (2005) used a mixture of historical data obtained from sources such as newspapers and public websites and although this was backed up by questionnaires, there was no observational component in their study although this method was acknowledged as superior (Wan & Ong, 2005). Other variations between Wan & Ong's study and this thesis were the use of publicly listed companies as opposed to the current not-for-profit study. However, it is felt that the real cause of the variance is the definition of structure used by Wan & Ong (2005), which is limited to the possibility of a duality role between chair and CEO, and the number and ratio of non-executive or outside directors. This thesis considers variables such as size of board, board roles, committees and the like to be structure, and the manner in which the board utilises them as process. This study indicates that the board processes cannot function without an appropriate board structure and vice versa.

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Several elements were identified as clearly having a bearing upon the perceptions of how well members of a board of a not-for-profit organisation make decisions. Participants identified four main influences, these being: the quality and timing of information presented to the board members; the skills diversity of the board; selection of board members to reduce susceptibility to the effects of group think; and the services of a chair who can preside over a meeting without influencing the outcome of any decision made.

In selecting board members for diversity, boards need to take care that their quest to be representative of the population does not come at the cost of losing other skills (Tricker, 2015) which, from the input of all of my participants and most of the contemporary literature, would adversely affect the ability of a board to make decisions. Board prerequisites should be treated with care unless the benefits of such a policy clearly outweigh the risks. This research supports the existing literature in relation to board skills diversity (Tricker 2015).

Two elements were identified by only one participant each but given the wide-ranging experience of both participants, Nigella and Heather, these seem worthy of attention. Nigella (female, mid-forties to mid-fifties with multiple large not-for-profit board experience and educational managerial background) raised the concept of the use of external experts as supported by Tricker (2015) to both assist with decision making and in other cases to provide independent external validation of major decisions. Heather (female, mid-sixties with experience on multiple not-for-profit boards) felt that it was important that not-for-profit boards should include new or aspiring board members to give them a grounding in not-for-profit board practice and increase the level of board expertise in the future. Although only given limited support in our study, due to the level of both management and board experience of both Nigella and Heather both elements should be considered part of the not-for-profit board decision process.

If indeed groupthink and values have a great effect upon a board's decisions (Maharaj, 2008) then perhaps a solution could be to provide training in the methods used by a board in its decision making process. This proposed training could help limit the effects of groupthink in conjunction with the careful selection of board

members using a skills matrix. Use of a skills matrix helps ensure that directors are selected for their knowledge and skills as well as possibly having a variety of behavioural characteristics desired which may lead to more effective board decisions (Maharaj, 2008). This last characteristic may be of even greater importance to the board as the correct fit of a board member to the board will not only add positively to the board's decision making ability as shown by this study but can also, as demonstrated by Van Puyvelde et al 2012, increase the level of stewardship shown by the individual towards the organisation, reducing the need for agency-type controls. Several participants reported about the need for more questioning to occur during board discussions and that lack of dissent or an overly collegial culture may have a negative effect in relation to groupthink.

Use of the decision-making model proposed by this study and shown in Figure 14 ensures that no important stage of the decision making process is omitted. Use of such a model will also ensure that the process is able to be explained at a later date and reduce the effect of *noise* or the variability of error in decision making. Once any decisions required of the board have been identified, adequate information needs to be provided to the board in a timely manner. Once all board members have read and digested this information, they also have a chance to seek guidance and advice prior to the meeting. During the meeting enough time for adequate discussion must be provided including, if required, the deliberate inclusion of dissent to stimulate cognitive conflict and avoid groupthink. At this point, if ready, the board may either make their decision or if required be directed on another course by the chair. The board needs to examine the results of previous decisions and ascertain if changes to process may be required.

8.1 Limitations

Although this study provides insight and a cross sectional comparison between the views of directors where large board experience was required in comparison to that of the smaller boards as well as observed data from board meetings, several limitations are noted. The first part of this study, that which involved interviews with board members, provided promising results. This first phase was conducted, however, on a

relatively small-scale using board members from Western Australia, with one from the UK and would benefit from a larger global study to confirm its results.

The second part, board observation, was achieved by the observation of only one board and I would like to echo the requests of multiple previous researchers (Dulewicz & Herbert, 1999; Payne et al., 2009; Tricker, 2015; van Ees et al., 2009) that more primary research into boards (both not-for-profit and for profit) is required by observational means, despite the difficulty involved in gaining access. My original plan was to observe the decision making process of several boards, however, as described previously, this did not happen due to my inability to gain access to multiple boards. This was despite having many board contacts, which I had assumed would facilitate access. Although this study was made possible by modification of the methodology, this modification did place limitations upon the depth of the study.

My own lack of experience as a researcher as well as my own position as board member and later chair of the board observed may have placed some limitations upon this study although it unlikely that a different overall outcome could be obtained. A researcher with greater experience in the conduct of interviews and observations may have been able to gain additional information from participants. The need for the researcher in this study to also be a member and then later the chair of the board was not ideal and whilst I took care to ensure that there was no negative effect in this particular study, the combining of roles required constant juggling of tasks and may appear to others to reduce rigour.

8.2 Future research

This study, whilst presenting new insights into the workings of boards, has also identified several areas that could benefit from further research. With only fourteen published studies having been conducted using observational methods, the author joins others (Dulewicz & Herbert, 1999; Payne et al, 2009; Tricker, 2015; van Ees et al., 2009) in calling for more research to be conducted on the practice of boards.

Future observational studies could identify additional themes on the topics of board decision making in differing legislative frameworks and build upon the work of this research and potentially investigate interdependency of the variables identified in this

study, if in fact they do have any interdependency. Variables could include executive/non-executive directors, the level of the director's knowledge, the effect of payment to board members upon their decision making as well as differences between boards that self-assess compared to those which do not. Studies in different geographical areas will identify the effect of differing legal frameworks upon the subject. Would for example, members of a board located in a country such as the U.S. where more prescriptive laws dictate board workings make decisions in a similar manner to those located in a more suggestive framework such as those found in the U.K or Australia. Another example of possible variation could occur in a region that did not impose a fiduciary duty upon its board members.

A larger scale study observing the workings of multiple boards would prove beneficial and permit confirmation of extrapolation of results to the wider not-for-profit board population. Future observation on a larger scale could also serve to confirm and test the decision-making model suggested by this research. A longitudinal observational study would prove useful to compare the findings of Maharaj (2008), who found that groupthink and values may have a greater effect upon a board's decisions than knowledge alone, which in the current study was clearly identified as the primary driver. Additionally, a future study may be able to quantify the optimal time and volume of information required in terms of pre-reading for board meetings.

I would recommend that any researcher planning a future study of boards using some form of observation should initially gain the trust and cooperation of individual board members. All board members contacted in regard to this study were more than willing to assist. All boards approached through the chairs were not agreeable to participate. Once several, if not all individual members of one board are positive about participating in a research study, the chances of gaining approval for observation are much greater. It is clear that a bottom up approach is needed to gaining access to boards for observation.

8.3 Implications for managers and policy

This final chapter of the study demonstrates the implications for managers and policy and achieves this by revisiting the current knowledge in relation to the research

questions and then providing commentary upon the contributions made by this study. Society needs well performing not-for-profit organisations for the many benefits provided to the community ranging from emergency services to sporting opportunities that a well-run not-for-profit can provide. Given the negative impacts that poor decision making can subject an organisation to, a thorough understanding of good board decision making practice is vital to ensure that both individual organisations as well as the sector as a whole thrive. This study has shown that the days of not-for-profit boards consisting of well-meaning members with little in the way of knowledge or skills are gone.

Figure 15 draws on the study's findings to show the optimal requirement for adequate people, processes, and information alongside the effect that deficiencies in any one sphere can produce. To make a quality decision a not-for-profit board requires the correct people to follow the correct procedures and be presented with the correct information in sufficient time.

Both observations and interviews discovered that board decision making occurs at its best when a combination of people, process and information are applied to the question at hand. Figure 15 portrays the board member attributes discovered during this study as skills, knowledge and experience which can be used to form selection criteria during the interview process. Process attributes were found to be adequate time, use of an effective chair who is able to manage the entire system, use of a suitable model to permit standardisation and accountability, a written agenda and the use of turn taking so that all perceive a fair process. Couple the findings of board member and board process attributes with those of information being timely, adequate, unbiased and validated and a good, well informed board decision making process is the outcome.

Not-for-profit boards are not and it is unlikely that they will ever be representative of the general populous as suggested by some (Ramirez, 2003). Boards, however, should clearly be representative of the population that they seek to represent in order to ensure that they represent the interests of that population. Not-for-profit boards requires diversity in relation to their representative population but boards need to be

careful that in their quest for this they do not sacrifice other essential board skills (Tricker, 2015).

Figure 145. Optimal board decision needs framework
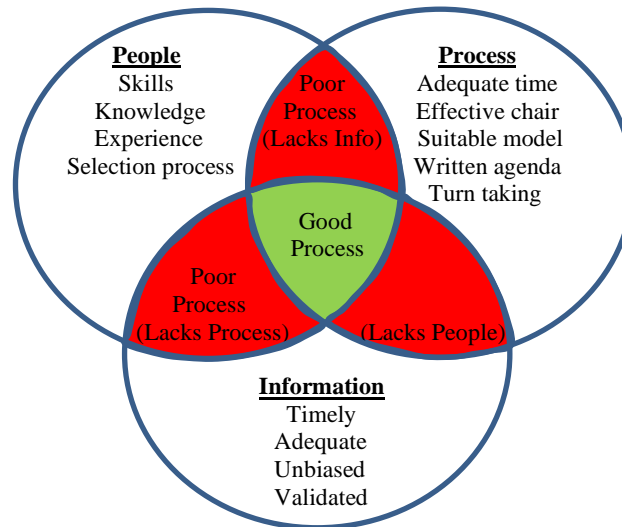
8.4 Conclusions in relation to the first of the three research questions: How do boards of not-for-profit organisations make decisions?

This study has found that boards of not for profit organisations do not have formal processes in relation to making boardroom decisions or follow a decision making model. However, the role of the chair and the structure of the board were identified as important structural factors in supporting good decision making by the board.

The role of the chair has been shown to have a significant relationship upon the board. a board needs a chair with good interpersonal skills who can also resolve conflict, build consensus, foster an environment of trust, build a relationship with the CEO and promote strategic discussion and questioning amongst board members (Van Puyvelde et al, 2018). A good chair can facilitate an effective board and provide guidance in relation to making quality decisions however the chair can also adversely affect both the people and processes involved. Brundin & Nordqvist (2008) found that the board members' emotional energy level is related to their power level and as their emotional energy level drops so does their power level and that both positive and negative emotional energy are stored in a "bank" for later use. An inexperienced chair may

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permit this emotional energy drain to occur through a poorly managed meeting or by not permitting all board members to have their say. The role of the board chair also relates well to the notion of obedience to authority (Wilhelm, 2012). Obedience to authority seems likely to be a contraindication of good decision making when the authority, either perceived or legitimate, is trying to sway a decision in a certain direction. The quality of decision will suffer but as could be detected during the interviews, lasting bitterness can result, which cannot help the board function. Based upon the clear effect that the chair had upon the board in relation to either permitting discussion to occur without time limit or by the placement of deadlines, this study finds support for proposition four: the role of the chair has a significant effect upon how board decisions are made.

The structure of the board requires specialist expertise to be able to make decisions effectively. A board that is selected only to be representative of the general population is unlikely to have the required skills to govern in contrast to a board made up of members chosen/elected to meet the requirements of a well-designed skills matrix. It was demonstrated in the literature review that the need for board diversity in terms of both skills and general diversity is widely supported (Daily & Dalton, 2003; Robbins, Judge, Millet, & Marsh, 2008; Stone, 2008; Kauer et al 2007). This study supports these findings but also those of Tricker (2015) who cautions that the quest for general diversity must not come at the cost of board skills. The study also found that not-for-profit boards have never been representative of the population as described by Abzug & Galaskiewicz (2001) and conclude that this would not be feasible. It is possible that, at some future time it may be appropriate for boards to insist upon only recruiting members that in addition to the required levels of skills, knowledge and experience also possess a lived experience if appropriate.

All three of the leading theories that relate to boards, stewardship, agency and resource dependency theories were seen in practice during this study. It has been shown that the supply of information is dependent upon the executive being aware of the boards need. Even the best constructed board will have gaps in its *resource dependency* as no board can provide expertise in all fields. *Agency* controls require certain measures being put in place by owners or boards in order to limit or control the ability of agents to manipulate the executive role in their own favour. To these

ends it is essential that a board identify its own lack of expertise if applicable and seek outside assistance. It is also important that the board is aware of the possibility of executive self-interest, which would support Maharaj (2008) who claims that the supply of information is not always in the interest of the CEO.

Stewardship theory was demonstrated on multiple occasions by individual board members volunteering to complete tasks such as undertaking rewrites of the constitution or membership of the various sub committees. Agency theory was seen in the management of the CEO as well as the overarching responsibility of the chair over all sub committees and even the board itself. Resource dependency theory was the least evident of the three theories from the data. However, it was discerned in some individual board members who, due to their level of expertise or contacts, were able to supply the board either with legal, accounting or strategic management services as well as others whose vast knowledge of the area of operation provided useful background to discussions. A board with better access to the resources of knowledge and skills is able to make better decisions.

Not-for-profit board members support that a skills diverse board makes a better-quality decision. All respondents rated the selection process used to recruit board members as important for decision making, backing the substantial existing literature supporting diversity. In the observation study, background material in the form of the briefing papers described earlier were slow to be presented and without them the board's knowledge base was insufficient to move ahead. These findings clearly support proposition two: a skills diverse board makes a better-quality decision. Use of an external expert being contracted by a board to provide unbiased advice in the case of a board requiring information that is outside of its area of expertise aligns closely with Tricker (2015) who regards the use of experts in specific fields such as finance and marketing as very beneficial to boards in their decision making.

The following factors were identified as facilitating the decision making process: quality, volume and timing of information. The interviews provided strong support for the proposition that information and the timing of the presentation of this information are vital to the board decision making process and also raised the notion of information overload relating to volume of information. Daily & Dalton (2003) in

their study also found that more time may prove beneficial to the area of decision making but other studies found that too much information can also be problematic and hinder decision making and this is also well supported in the wider decision-making literature (Ariely, 2000; Speier, et al, 1999; Jones et al 2004).

Optimal decisions are made if the board members have enough time to read and digest the material prior to the meeting but not too long a period before, which would allow participants time to forget the content therefore having a negative effect upon the decision made. Board packs, the papers given to board members containing the background to decisions required of the board, need to be made available in advance, but not too far in advance of the meeting. Deciding this timing then, is a strategic task that would normally be associated with the CEO.

Information and the timing of the presentation of the information required to make a decision are key to board decision making. As previously discussed, all but one of the board members interviewed rated the provision of timely and adequate information to board members prior to the meeting as important to avoid wasting time by having material read to them during the meeting. Board members perceive knowledge or information as the most important aspect of board decision making, even if the board practice such as the use of a group decision making or the requirement for consensus may unwittingly encourage groupthink. The seeds of groupthink can be hidden amongst certain board practices such as a desire amongst the board members to achieve consensus as well as the use of a variation of the interacting group decision making model.

This study found that the perception of not-for-profit board members aligns very well with contemporary literature in relation to volume and timing of information and supports the proposition that the timely supply of relevant information to directors is vital to good and optimal decision making process (Carpenter & Westphal, 2001; Daily & Dalton 2003; Simon, 1979 and Vroom & Jago, 2007; Van Puyvelde, Brown, Walker and Tenuta, 2018). This situation also seems to apply equally to the not-for-profit boards in this study regardless of size of the organisation. Although this study did not focus upon the CEO, a complicating matter for the board may arise as it may not always be in the interests of all within the organisation to provide accurate, timely

information to the board as in the case of a CEO not wishing to provide the board with bad news as they may fear repercussions as argued by Maharaj (2008). Board members all identified provision of adequate and timely information as vital during the semi-structured interviews but the requirement was reinforced during the observations by the failure for the board to make a decision.

While the literature identified many issues affecting decision making such as the quality of decision required, the time available to make a decision, and if third party buy in to the decision is desired (Carpenter & Westphal, 2001; Vroom & Jago, 2007) most board decisions seem to be made within certain parameters, which are now discussed. Several points were frequently mentioned by the participants including as the need for consensus and the importance of getting a quality decision. If not-for-profit board decisions normally seek both consensus and quality decisions, have no urgent time constraints and require third party buy in, a relatively simple decision-making model may be usable in many not-for-profit board decision making instances. Although during interviews board members responded that their boards followed some form of decision-making process, none were clearly able to articulate this process and the observational study supported the evidence that most would not follow a formal process. The implications of a board decision making process that does not follow a formal model is that justification of a past decision, if required, may prove harder than would be the case if a formal model was used.

8.5 Conclusions in relation to the second of the three research questions: Does the background of a director affect how they make a decision?

As identified above, a well-structured board is vital to the successful governance of an organisation (Viader & Espina, 2014) and this aspect has been shown to be of even more importance in a small not-for-profit organisation. Smaller organisations are shown to be at a disadvantage in relation to decision making as the views of their top managers are shown to be influenced by their past experiences (Balta et al, 2010, 2013; Steptoe-Warren et al, 2011). It became clear during the interviews that participants perceived the decision-making processes of their boards from differing perspectives based on their past experience. Board members with a commercial background can be expected to provide very different viewpoints to another board

member whose background was different such as the public service with this being demonstrated clearly during the interviews from the responses of James and Marcus (commercial backgrounds) when compared to those of either Sherry (emergency response background) or Annette (clinical psychology background) (Balta et al, 2010, 2013; Steptoe-Warren, Howat, & Hume, 2011; Hillman et al, 2008).

If not-for-profit boards are to use some form of the interacting group decision making model (Kugler et al, 2012), which seems to be a necessity, participants need to be aware that this research confirmed the findings of Kugler et al (2012). This study has found that emotion and politics play a role in decision making using this type of model, where face to face discussion takes place prior to discussion. An awareness of the problems of groupthink presented by the use of this model in the boardroom setting is required. Based upon the findings of the interviews, observations and review of literature; the creation of a board with a strong process driven chair, good clear meeting agenda and well-informed board members will reduce but not eliminate the potential for some level of bias. Ultimately the board members have been shown by this study and by Hillman et al (2008) to be made by the sum of their own experience, which must be assumed to have some influence on current behaviour.

The evidence from the observations suggests that without suitable experience provided by a background of adequate skills, knowledge and experience, board members will need to rely upon some form of external support to provide the information and direction required. The observational evidence supports the view of the overwhelming majority of board members interviewed who claimed that they believed that, in relation to the second research question; Does the background of a director affect how they make a decision? The answer would be affirmative. Most agreed that boards need to be *constructed* with the members selected to fill gaps in board knowledge and experience. The board needs to be aware that its decisions may be affected by the values and beliefs of its members (Hillman et al, 2008) but also according to Maharaj (2008) board decisions can also be affected by the values of the organisation itself. This study clearly supports the notion as stated by one interviewee:

> *"Modern boards have to be constructed; you can't just have a general meeting and elect them".*

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Use of an adequate board member selection process appears to be more common to the larger organisations in this study, however, this process may be a product of larger organisations having the resources, knowledge and experience to seek directors with specific skill sets where smaller boards may not. Larger organisations are more likely to advertise roles widely, use professional recruitment agencies, follow role dependent selection and interview processes and have these based upon well researched skill and knowledge gaps indicated in a board skills matrix. Smaller organisations may be required to accept the board members that are available from their general membership or networks. A comment from one respondent typified the views expressed on the subject when he stated that in the large boards with which he had been involved, a skills matrix was used to identify gaps and that board members were:

"Recruited specifically with complementary knowledge, skills and expertise needed to make decisions".

Boards frequently maintain a directors' skills matrix (Simmons, 2012) to ensure that during recruitment, directors are selected who meet the required skill and experience requirements to fill gaps in board expertise as well as reducing the risk of nepotism (Maharaj, 2008).

Many not-for-profit organisations require a percentage of their board to have a lived experience in the field that the not-for-profit serves, a phenomenon that is reported in literature (Johnson, 2011). It is unclear if such a lived experience may have an effect upon the lens through which a decision is made but with studies such as Hillman et al (2008) linking a decision maker's past personal history to their decision making as well as the evidence gained from this study it is hard to see how it cannot.

Skills diversity as opposed to diversity of race, age and gender was difficult to measure across the small sample interviewed but it certainly appeared the not-for-profit boards may be governed by some form of governing elite. From information gained during the interview process it was apparent that this governing elite is perpetuated by boards selecting new members who already possess the required skills and knowledge to fill skill matrix gaps. It is clear that not-for-profit boards are not representative of the general population and it can be expected that this homogeneous

mix of directors will have a certain degree of negativity associated with it due to the possible general perception of elitism that may, true or not be targeted by the media (The Guardian, 2020). As well as the possible negative perception of elitism, this study proposes that there is also a clear positive in the homogeneous mix in that the experience, skill and knowledge level of this group is significant in increasing the level of governance and oversight provided to today's not-for-profit organisations.

This study has demonstrated that with a lack of information a board is unable to make a decision. Boards that are able to recognise defects in the decision making process, such as a lack of information, will be able to overcome such obstacles by using outside sources. The use of outside sources places financial and time restraints upon the organisation and need to be limited where possible. The best way to limit such a need is by sourcing board members who already possess the knowledge and skills required.

It is apparent that no board can recruit members that will provide all the expertise required but the use of such external support is well documented as being sought from outside if gaps are present in the board skills matrix (Simmons, 2012). The interviews raised the question of taking on face value the information provided by such experts. As one interviewee suggested:

> *"We do tend to take the opinion of those presenting facts to the board as correct and I wonder if we should not be checking their input for bias".*

This observation is not supported in literature but does link to legislation in the form of the Corporations Act 2001 section 189 (Australian Legal Information Institute, 2019), which states that expert advice can be relied upon as long as certain conditions are met such as the board member having reasonable grounds to believe such advice is reliable and competent in relation to the matters concerned.

It would make sense for a board considering a decision of great importance to have the impartiality of any information provided independently validated. The cost of such validation would prevent its use on day to day matters but for vital decisions the cost of not validating may be even greater. This aspect aligns with the notion that an

external expert could be contracted by a board to provide unbiased advice (Tricker, 2015). Tricker (2015) acknowledges, in the case of a board requiring information that is outside of its area of expertise, use of experts in specific fields such as finance and marketing as very beneficial to boards in their decision making.

Not-for-profit board members, along with their for profit relatives, although normally appointed by vote of the general membership of the organisation, need to be selected and vetted prior to presentation to the general membership for selection. It is difficult to see how the general membership of any organisation is able to select the most appropriate board members at a meeting. This study found that new board members need to have skills that fit the requirements of the board's skill matrix but also that their personal experiences and background are suitable to enable informed decision making with minimal chance of bias. Bias, as previously discussed will always be present to some degree but care should be taken during board member selection to not recruit members with views so strong that they may outweigh the need for balanced judgement.

8.6 Conclusions relating to the third research question:
How can a board select directors who are less likely to be subject to group think?

Groupthink reduces the effectiveness of any group-based decision and group members need to be selected so as to reduce, if possible, its effect. As previously mentioned not-for-profit boards have never been representative of the population (Abzug & Galaskiewicz, 2001) and some authors propose that legislation is required to help bring the proportion of board members in line with the proportion of the different groups within society being under represented on boards (Ramirez, 2003). This study found that board members recruited based upon their knowledge, skills and experience will be less likely to fall prey to groupthink. Such experienced and knowledgeable persons, ideally with a variety of behavioural characteristics have been reported to reduce the effects (Maharaj, 2008).

The board of any not-for-profit should maintain a register of the skills required by its board as a means of identifying any gaps and assisting with selection of future board members. The practice of requiring *lived experience* in the field that the not-for-profit

serves as a prerequisite to board membership is beneficial (Australian Broadcasting Corporation, 2016; Johnson, 2011) but must not come at the expense of board skills and experience. This study has found that board members who possess lived experience were far more passionate and emotional in discussion than those who were not and can provide a unique insight into the operational needs of the organisation in a manner that the board member without such experience cannot (Zhu et al, 2016).

Not-for-profit boards should be comprised of members who are selected based upon their knowledge and skills in order to reduce the board's susceptibility to the effects of groupthink. This study supports the need for *lived experience* in some or all of the board but not at the expense of other areas of expertise. It is also important that board members and the chair in particular maintain an awareness of the increase in the occurrence of groupthink with an increase in the desire for consensus.

The board chair should encourage the use of turn taking by board members as this action, along with the provision of adequate time for debate is also suggested as way to improve decision making and avoid group think (Bezemer et al, 2014). Turn taking is certainly useful and if all members actually have something of use to say it will reduce the effect of groupthink. The effects of turn talking, both positive and negative were noted during the observations. The positive effect was well paced meetings where all had their opportunity to speak and did so. The negative effect being the emotional affect that failing to have a turn to speak placed upon board member Sean, which resulted in him feeling that he was not being given a 'fair go' and the subsequent reduction in his emotional power level over subsequent meetings.

In relation to the observed board turn taking, it was both frequently observed and frequently referred to at the end of meetings when a review of the meeting was conducted. This process appeared to be a result of good board member selection for fit and good levels of emotional intelligence demonstrated amongst members. Throughout the process there was no evidence of groupthink and as a result this study finds support for proposition three: mature boards are comprised of members who are selected to reduce the board's susceptibility to the effects of groupthink.

Board members in general and chairs in particular need to be aware of the possibility that certain board processes and procedures may raise the perceived pressure placed upon a board member to conform could increase the possibility of groupthink. An example of such a procedure identified during the interview stage of this study is the use of formal resolutions where there is a requirement to have members speak out against the motion. It is unlikely that any great effect will impact upon an experienced, knowledgeable board member, however, even such a member will experience emotional highs and lows and during such a low prior to the event the pressure to conform could be great and the effect upon the presence of groupthink significant.

Training may go some significant way to reduce occurrences of groupthink by highlighting the presence of the phenomenon to participants as well as the potential negative effects of poor decision making upon their own personal circumstances due to the vicarious nature of board membership. If formal training such as that described above is not an option, then boards could investigate the possibility of running their own internal training sessions for newer members. The greater the awareness of the threats to good decision making such as groupthink by the members of the board the greater the likelihood of avoidance and greater the chance of better decisions.

8.7 Summary

This chapter has summarised the results of the study. The study found that the views of the not-for-profit board members interviewed generally supported the available literature relating to board structure such as the requirements of the chair who is key to ensuring adequate and timely discussion and decision making and the advantages of using a director skills matrix as well as the advantages of having a number of board members with a lived experience relevant to the not for profit's mission. The study showed that board structure was significant in that board members with the correct skill and experience level need to be in place in order to be able to engage in informed discussion and decision making. This study has shown support for the study by Hillman et al (2008) who suggest that board members with a wider ranging knowledge base are more likely to be less prone to groupthink.

Several elements were identified as clearly having a bearing upon the perceptions of how well members of a board of a not-for-profit organisation make decisions. Participants identified four main influences, these being: the quality and timing of information presented to the board members; the skills diversity of the board; selection of board members to reduce susceptibility to the effects of group think and the services of a chair who can preside over a meeting without influencing the outcome of any decision made.

The current study found that board structure was significant in relation to skills, knowledge, diversity and the need for a board of a suitable size and a mechanism to ensure the provision of accurate and timely information to board members. These findings contrast with Wan & Ong (2005) who claim that the board process seems to play a more important role than the board structure. This thesis indicates that the board processes cannot function without the appropriate board structure and vice versa. This study found board structure and process to be both essential and inseparable. This study certainly agreed with Wan & Ong (2005) in relation to the importance of processes such as the use of a skills matrix, provision of adequate time, an effective chair and use of a suitable decision making model. The divergence with Wan & Ong (2005) relates to the need for certain board structures such as the requirement for certain skills and knowledge, the need for diversity, the need for a board of a suitable size and a mechanism to ensure the provision of accurate and timely information to board members. The not-for-profit board cannot operate well without both the *hardware* and *software* or put simply, the correct process and the correct structure.

The first part of this study, which involved interviewing board members provided promising results relating to how not-for-profit board members make decisions, however, it was conducted on a relatively small scale and would benefit from a larger global study to confirm its results. The second part, board observation was achieved by the observation of one board and echoes the requests of multiple authors (Dulewicz & Herbert, 1999; Payne et al., 2009; Tricker, 2015; van Ees et al., 2009) that more primary research into boards (both not-for-profit and for profit) is required by observational means.

This study has added to the available stock of knowledge in various ways. It has identified that a formal decision-making process is not widely used by not-for-profit boards, if indeed one is used at all. It has extended the current knowledge of board decision influences on both a board member and board decision level. It has shown the effects of board member level influences such as personal experience, values and emotional standing of board members within the board as well as the level of board member expertise. It has also shown that in relation to the nature of the decision itself, the level of ambiguity, importance of the decision as well as the time and information available have been shown to be critical. The findings of this study at a board level show how the role of the chair has a significant affect upon the board decision making process and can be either a positive or negative influence. in relation to how the board decision making process is used.

This study, while offering insights into the workings of boards has also identified areas that could benefit from further research. Future observational studies could attempt to identify additional themes which may have a bearing upon board decision making. This study has identified the interdependency of themes such as knowledge and personal values and their relationship to groupthink and its affect upon not-for-profit board decision making. Future studies could include and give some insights into to their possible interdependency and any affect, if in fact they do have any interdependency. Observation could also be used to confirm and test the decision-making model put forward in this research.

A longitudinal observational study would prove useful to compare the findings of Maharaj (2008), which found that groupthink and values may have a greater effect upon a board's decisions than knowledge alone which in our study was clearly identified as the primary driver. This study, whist it did not identify instances of groupthink does extend the work of Maharaj (2008) by providing evidence from both the interviews and observations that board members selected for their level of knowledge and experience are less susceptible to the effects of the phenomenon. There are many fruitful areas for future board research.

This study has opened the black box of not for profit decision making and demonstrated how this process occurs, both in the perceptions of the participants and

in practice. Based upon this study this thesis has added to the body of knowledge available on board decision-making, identifying key factors and processes that facilitate optimal decisions as well as offering practical solutions to the problems encountered which will improve the quality of not for profit decision making

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