Original Article

Stakeholder perceptions of governance: Factors influencing presidential perceptions of board effectiveness

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ABSTRACT This article examines the factors that influence presidents' perceptions of board effectiveness in relation to their boards' fundraising role. Data from a survey of small college presidents are used to see what factors influence each of four areas of satisfaction: deciding policy, making financial contributions, referring donor prospects and soliciting donors. Presidents are more satisfied when the boards have received training, there is a fundraising committee, the president is skilled at fundraising, the board has more female members, the college has recently conducted a capital campaign and it is difficult to recruit good trustees. The findings suggest that presidents and fundraisers should encourage boards to receive training in fundraising and should encourage boards to have a development committee. Other factors that influence satisfaction are amenable to presidential intervention, but not fundraiser intervention, such as presidential skill in fundraising and the gender composition of the board.

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Presidents can seek out training and work to develop their own fundraising skills, benefiting not only the board's performance but their own.

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INTRODUCTION

Governing board effectiveness has typically been studied from the perspective of outside ratings, 'objective' data or insider perceptions. Most commonly, the perceptions are those of presidents. This article follows in that tradition but focuses specifically on the board's role in fundraising. Data from a survey of small college presidents are used to see what factors influence each of four areas of satisfaction.

THEORETICAL FRAMEWORK

There is a long tradition in the education and non-profit literatures of studying governing board effectiveness. Most of this literature boils the various aspects of board performance down to whether the board is 'effective' as a whole (Taylor *et al*, 1991). Although effectiveness has been operationalized in several ways, it typically represents a holistic judgment of board practices. This definition has two limitations. First, it focuses on means rather than ends. In part, this is because loose coupling makes it difficult to link board actions to institutional outcomes. We can be certain what board attendance is; it is harder to tell whether a board with 100 percent attendance makes better decisions than one with 95 percent attendance. Second, it only allows an overall rating of a board rather than breaking board

work down into components: A single board may have very different levels of competence at setting policy for academics, raising funds, choosing a president and achieving diversity. These limitations do not eliminate the usefulness of effectiveness as a concept, but they do suggest using caution in using it as the sole measurement of boards.

Moreover, much of the work on college and university board effectiveness uses *perceptions* of effectiveness rather than measures of either inputs or outcomes. Most often, these perceptions come from consultants or the board itself. Yet various stakeholders that evaluate boards use different criteria to inform their judgments. Some observers even argue that 'nonprofit charitable organization effectiveness is not a real property ... of an organization but a *set* of judgments by various stakeholders' (Herman and Renz, 1997, p. 188). Even if we could agree upon a set of real effectiveness measures, it would still be the case that different observers place different weight on them. At a public university, for example, the state governor and the institution's president may use quite different criteria when judging the board. While some stakeholders have more power than others (the governor may be empowered to appoint board members), all

stakeholders at least have the power of influencing public goodwill and of withholding financial support. In short, it is not solely *measurable* practices that matter for board outcomes; perceptions of board effectiveness have real impacts on organizations as well. Moreover, those perceptions will have different weights for different organizations. The perception of the chief fundraising officer will weigh more heavily at a private college with a significant endowment than at a public university with an elected board; the perceptions of the legislature will matter more at the public university.

Board effectiveness research tends to measure effectiveness either by objective, usually financial, criteria or by ratings given by the researchers or other exogenous experts. The smaller body of research that focuses on perceptions of board effectiveness within institutions tends to focus on the president. For example, Bee found that presidents at Council of Christian Colleges institutions who had less training in fundraising also had boards that gave smaller gifts (Bee, 2001). Other relevant research has focused on presidential satisfaction with fundraising, focusing on development staff rather than the board, such as Bouse, who surveyed presidents at research universities (Bouse, 2001).

Boards, although legally responsible for every aspect of institutional operation, in fact pay more attention to some aspects than others. Academic affairs are typically delegated to the faculty. Fundraising, however, usually has a high level of direct board involvement. Boards members individually and collectively are expected to make donations, serve on

fundraising committees, approve capital campaigns and solicit donations from others. Thus the relationship between fundraising work and the board is a particularly salient one but one that has not been well explored. Earlier work, using previous years' data from the survey used here, reported presidential satisfaction with boards and traced changes in it over time (Willmer, 2001). Most other work on the board-fundraising relationship has been normative and focused on the act of fundraising. Examples include Carver's suggestion that 'fundraising may be either delegated or retained, at the board's discretion', Freedman's note that fundraising is a 'common expectation' for board members, (Carver, 1997, p. 133; Freedman, 2004, p. 21). Some descriptive statistics of board giving are available as well, such as the Association of Governing Boards (AGB's) periodic surveys of boards (for example, Schwartz and Akins, 2005).

This study uses quantitative data from private colleges in the United States to examine what aspects of board involvement predict a high level of presidential satisfaction. Four board activities are examined.

DATA AND METHODS

Using ordinary least squares (OLS) regression, fundraising-related board behaviors and practices were correlated with each of four areas of satisfaction: deciding policy, making financial contributions, referring donor prospects and soliciting donors. Independent variables include board demographics, training in fundraising, committees, board donations, inclusion of fundraising in the president's cabinet, presidential involvement

and board giving capability. Some of these behaviors, such as inclusion of fundraising in the president's cabinet, do not relate directly to the board but were included as controls. At colleges where the chief development officer is not a cabinet-level position, it is possible that fundraising is less of an institutional priority.

The main source of data, including the variables of interest, was the most recent survey conducted by the Council of Independent Colleges (CIC) and the Council for Advancement and Support of Education (CASE). In 2006, the presidents of 555 private, not-for-profit colleges and universities that were members of CIC were surveyed, with 274 responding. The survey asked questions about alumni relations, fundraising, marketing, communications and enrollment management. The data collected were for the 2004–2005 academic year (Willmer, 2008).

The colleges in the sample have a mean age of 114 years. They have an average undergraduate enrollment of 2134 students, although the smallest is 376 and the largest 22 421 students. The mean endowment at the beginning of the academic year is US\$50 million, but the median is only \$23 million. On average, the colleges raised a mean of \$5.5 million and a median of \$4.2 million. The mean professional staff size is 6.4 people; the median is 5. Costs to raise a dollar are low – a mean of 23 ¢ and a median of 17 ¢. The satisfaction data used asked respondents to rate their satisfaction on each dimension on a scale of 1–6, where 1 is very dissatisfied and 6 is very satisfied. Summary data can be found in Table 1.

Multivariate analyses were conducted using OLS regression in

Stata. Four models were specified – one for each dependent measure. Each one was modeled separately, with only those variables deemed likely to be relevant included as dependent variables. The model specification is included in Table 2. Not all institutions responded to every question, changing the sample size for each model.

The questions regarding satisfaction were worded as follows:

To what extent are you satisfied with your trustees' level of involvement in the following areas? (Please fill in the number that indicates most closely your level of satisfaction – '1' if you are very dissatisfied, ranging to '6' if you are very satisfied.)

- [] Deciding fundraising policy
- [] Making fundraising contributions
- [] Referring donor prospects
- [] Soliciting donors (Willmer, 2008)

RESULTS

Deciding fundraising policy

The regression modeled presidential satisfaction with the board's performance in deciding fundraising policy. Full results can be found in Table 2.

Variables that were significant at the 0.10 level or better were the boards' level of training in fundraising, whether there is a permanent fundraising committee, the president's fundraising skills and the proportion of women on the board. All had a positive relationship with satisfaction, except for the presidential skill variable. However,

Table 1: Means of variables

<i>Variable</i>	<i>Mean</i>	<i>Minimum</i>	<i>Maximum</i>
Whether the chief advancement officer is a member of the presidential cabinet (1=yes, 0=no)	0.98	0	1
Whether the board has adequate training in fundraising (1=yes, 0=no)	0.243	0	1
The level of that training (1–6, 1=no training and 6=well trained)	3.01	1	6
Whether there is a permanent fundraising committee (1=yes, 0=no)	0.65	0	1
How difficult it is to recruit trustees (1=no difficulty and 5=extremely difficult)	2.63	1	5
Percentage of his or her time the president spends on fundraising, PR and advancement (%)	36.32	2	100
The president's skills in fundraising (1=strong and 5=weak)	1.77	1	5
The proportion of the board that is female	0.30	0	0.80
The proportion of the board that is minority	0.09	0	1
Total donations in the last fiscal year, including those for current operating expenses, capital projects and endowment (\$)	5 526 302	255 000	33 900 000
The percentage of the board that are alumni of the college (%)	46.39	1	100
Percentage of the board that is in business (%)	50.85	1	99
Percentage of the board that is in law (%)	9.31	0	28
Percentage of the board capable of giving a gift in the following categories (%):			
\$25 000–100 000	23.54	0	65
\$100 000–1 million	23.53	0	75
\$1 million and above	12.91	0	55
Whether the college has conducted a capital campaign in the past 3 years (1=yes, 0=no)	0.64	0	1

presidential skill in fundraising is reverse-coded – on a scale of 1–5, 5 is ‘weak’ skills – so a negative coefficient means that more skilled presidents are correlated with greater presidential satisfaction. The size of the coefficient for the proportion of women on the board is notable as by far the largest significant coefficient in any of the models, twice as large as any other. The *R*-squared for this model was 0.27.

Making financial contributions

The model for satisfaction with the board's history of making financial contributions had a higher *R*-squared of 0.37, suggesting that the included variables explained a larger portion of the variation in responses.

Significant, positive variables here include both training variables, the percentage of the board capable of giving \$1 million or more, difficulty in recruiting board members and a recent capital campaign. Once again, presidential skill had a negative coefficient, and thus a positive relationship with satisfaction.

One variable not available in the CIC/CASE data that seems likely to influence presidential satisfaction in this area is the percentage of board members that gave. These data are not collected in any survey, although the Council for the Advancement of Education Voluntary Support of Education survey includes the number of board members that

Table 2: Variables included in the four models with regression coefficients

<i>Variable</i>	<i>Deciding policy</i>	<i>Financial contributions</i>	<i>Referring prospects</i>	<i>Soliciting donors</i>
Whether the chief advancement officer is a member of the presidential cabinet	0.746	0.418	0.066	-0.233
Whether the board has adequate training in fundraising	0.118	0.543**	0.176	0.521**
The level of that training, where 1 is no training and 6 is well trained	0.414***	0.196**	0.420***	0.540***
Whether there is a permanent fundraising committee	0.677*	0.110	-0.085	-0.061
How difficult it is to recruit trustees, where 1 is no difficulty and 5 is extremely difficult	0.067	0.205**	0.193**	0.180**
Percentage of his or her time the president spends on fundraising, PR and advancement (%)	-0.007	-0.000	0.005	0.000
The president's skills in fundraising, where 1 is strong and 5 is weak	-0.217**	-0.244**	-0.108	-0.124
The proportion of the board that is female	1.176**	-0.620	-0.345	-0.584
The proportion of the board that is minority	4.413	-0.359	-0.399	0.038
Total donations in the last fiscal year, including those for current operating expenses, capital projects and endowment	0.000	0.000	0.000	0.000
The percentage of the board that are alumni of the college (%)	0.006	-0.001	0.001	0.002
Percentage of the board that is in business (%)	—	0.005	0.002	—
Percentage of the board that is in law (%)	—	0.015	-0.002	—
Percentage of the board capable of giving a gift in the following categories (%):				
\$25 000	—	0.006	—	—
\$100 000	—	-0.007	—	—
\$1 million and above	—	0.029***	—	—
Whether the college has conducted a capital campaign in the last three years	—	0.391**	-0.010	0.038
Number of observations	205	178	190	206

*=significant at the 0.1 level; **=significant at the 0.05 level; ***=significant at the 0.01 level.

donated in the last year. The model was re-run to include this, but it was not significant. This was unsurprising, as the variable did not indicate what percentage of board members gave, and boards range widely in size. The number of board members that gave may be a better indicator of board size than of board giving.¹

Referring donor prospects

The model for satisfaction with referring donor prospects an *R*-squared 0.30. Only the level of training and difficulty of recruiting were significant here; once again these were positive relationships.

Soliciting donors

Finally, the model for satisfaction with soliciting donors had an *R*-squared of

0.45, the highest *R*-squared of the four models. Yet only three variables were significant, both training variables and the difficulty of recruitment. Again, all had a positive relationship with presidential satisfaction.

DISCUSSION AND CONCLUSION

Some of the results from this study backed conventional wisdom; it is entirely expected that boards with larger giving capacities resulted in greater happiness with their actual donations. Other findings were more interesting. The repeated significance of the training variables suggest that there are positive, realistic steps boards can undertake to improve stakeholder perceptions. Whether trained boards truly perform better or are simply perceived more positively, the presidents rated them higher in each area.

The difficulty of recruitment variable was another surprise. There are two primary reasons a board could have difficulty recruiting – disorganization and incompetence, or high expectations for board members. The former, however, seems unlikely to result in greater satisfaction with their performance in this area of competency. While some stakeholders prefer for boards to remain hands-off, fundraisers and presidents recognize the advantage of active board involvement in fundraising. Therefore, it seems likely that difficulty in recruitment reflects high board expectations. Potential members are not told, ‘Oh, it won’t be much work’. The result is that less committed trustees are weeded out. However, whether this mechanism is correct cannot be tested with further data.

The relationship between presidential fundraising skill and two of the areas

of satisfaction, deciding policy and making financial contributions, is interesting in light of the skill rating being a *self*-rating. How accurate are presidents at gauging their own fundraising skill? One might expect that those presidents who feel the least confident in their own abilities would tend to assume their boards are doing well, but this was not borne out; the more confident they were in their own skills, the happier they were with their boards. Nevertheless, this highlights the importance of recruiting a diverse membership to the board of trustees.

Finally, the influence of the proportion of the board that is female on satisfaction with deciding fundraising policy was unexpected. This variable was not significant in the other three models. This could mean that presidents believe female board members are more likely to make fundraising policies, they actually do make better policies, or they are more likely to agree with the president’s own policy suggestions; interpretation is difficult without further data.

These models had *R*-squareds of less than 0.5, meaning the explanatory power of each of these models could be improved. In particular, more precise giving information would likely improve the fit. For example, the model for satisfaction with donations might include the percentage of the board that gave last year, and the model for satisfaction with soliciting donors might include the average number of donors solicited by each board member. Given that the data used were not collected directly to answer the question, asked, here however, the *R*-squareds are quite satisfactory.

The present study may not be applicable to institutions other than

small colleges in the United States. Private universities are likely to have similar results, but this needs to be tested with data that include these types of institutions. Public institutions are unlikely to have similar findings, because they tend to delegate fundraising to separate foundations. The institutional board is not as relevant, in that case, as is the foundation board. Moreover, the boards of the institutions themselves are typically not chosen in the same manner as private boards and may bring very different expectations to their roles (Lowry, 2001). Finally, the board-president relationship is complicated by the fact that many public institutions have system-wide boards and foundations. For all of these reasons, these results should not be taken as suggestive for public colleges and universities.

Further research should examine the perceptions of other relevant stakeholders, such as vice presidents of development, and the relationship between perceptions of effectiveness and objective measures of effectiveness. At present, no data are available to address these questions, however, underscoring the need for more basic, multi-institutional data on fundraising. Additionally, case studies might be used to open up the 'black boxes' of some relationships, such as that between satisfaction and recruitment difficulty.

NOTE

- 1 While the CIC/CASE data contain the number of board members, and the CAE VSE data contain the number of board donors as well as the total board donations, the numbers cannot be used to calculate a percentage that

donated. The VSE numbers include emeritus trustees, which is probably why that data (in 80 of 145 cases) indicate that the number of board members that gave is higher than the total number of board members according to the CIC data. Additionally, any subsequent regression equation suffers from a drop in the number of cases, as only 145 colleges in the CIC sample reported VSE data for that year on the relevant questions.

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