

Nonprofit Governance During Organizational Transition in Voluntary Associations

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This explorative field study examines the governance challenges that voluntary associations face in the transition from an internal focus on members to the provision of services to mainly non-members. This transition is an important stage in the life cycle of many associations. A qualitative research design was used to study five Swiss patient organizations. This article describes the transition process in terms of five main management challenges: different target groups, self-help group versus competence center, cooperation, fundraising, and transparency. It then examines the implications for four governance aspects that confront managers and board members: recruitment and selection of board members, tasks of the board, relationship between the board and managing director, and the role of the general assembly of members.

When we started this whole thing there were just the five of us, and my secretary, of course. Basically, we tried to help each other. . . . Everything has changed since then. We are a huge organization now and we serve countless clients.

—Founding member of a Swiss patient organization

PROBLEMS OF NONPROFIT GOVERNANCE have long attracted the interest of scholars. Nonprofit governance has been defined as the set of processes, customs, policies, and laws affecting the way in which a nonprofit organization is directed, administered, or controlled. It also includes the relationships among the many stakeholders involved, entailing the functions of setting direction, making policy and strategic decisions, overseeing and monitoring organizational performance, and ensuring overall accountability (Renz, 2004).

Some researchers have focused on the development of one-size-fits-all models of nonprofit governance (Houle, 1989; Carver, 1990). But given the diverse landscape of nonprofits, other researchers began questioning whether these models are universally applicable (Holland, Leslie, and Holzhalb, 1993; Brudney and Murray, 1998; Friedman and Phillips, 2004). Nonprofits vary in purpose, field of activity, primary beneficiaries, legal structure, size, ownership, funding, tax status, staff, technologies used, decision-making processes, and performance review (for an overview, see Beyes and Jäger, 2005).

In this study, we analyze governance problems in voluntary associations, a subgroup of nonprofit organizations. Voluntary associations are private, membership-based organizations in which membership is noncompulsory (Anheier, 2005). One criterion to differentiate associations is the role of the primary beneficiaries (Schwarz, Purtschert, Giroud, and Schauer, 2005; von Schnurbein, 2006). According to Badelt (2002), nonprofits in which members are at the same time the primary beneficiaries distinguish themselves from organizations that provide services mainly for nonmembers. For example, the primary beneficiaries of associations such as local AIDS self-help groups are their members, whereas the Swiss AIDS Federation almost exclusively provides services for nonmembers. According to von Velsen-Zerweck's life cycle model for nonprofits (1998), many organizations are founded with an internal focus on members, and as they grow in size and importance, they expand their services to the general public.

This exploratory study concentrates on growing associations that were founded as grassroots organizations. The terms *orientation toward the inside* and *orientation toward the outside* will be used to describe two life cycle stages: an internal focus on members and an external focus on providing services mainly to nonmembers.

The role of primary beneficiaries in nonprofit governance has been studied only in member-oriented professional associations (Friedman and Phillips, 2004; von Schnurbein, 2006) and member-oriented voluntary associations (Harris, 1998). According to Cornforth (2003), research is needed to "analyze how the changing role of the members affects the work of the board of directors" (p. 2). In particular, relatively little is known about the consequences, in terms of nonprofit governance, of a transition from an introverted, member-oriented organization to one that is extroverted.

The stage in the organizational life cycle is a strategic contingency that influences the roles of boards and executives (Zald, 1969). Thus, this article focuses on the governance challenges faced by the managers and board members of five Swiss patient organizations in the transition from an orientation toward the inside to an orientation toward the outside.

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Literature Review: Nonprofit Governance

The literature on nonprofit governance, like the literature on corporate governance, offers an array of theories and frameworks. This section briefly presents the most important approaches.

Theories

A variety of theories have been proposed to explain the role of boards of directors in nonprofit organizations (for an overview, see Hung, 1998; Cornforth, 2003). Originally these theories were created to explain organizations in the for-profit sector. Many researchers have applied for-profit theories to nonprofit boards, and six main theoretical perspectives can be distinguished (Cornforth, 2003), each defining different tasks for the board of nonprofit organizations:

1. *Agency theory* assumes that the owners of an enterprise (the principals) and its managers (the agents) have different interests. Consequently, according to agency theory, the primary function of the board is to ensure managerial compliance (Fama and Jensen, 1983).
2. *Stewardship theory* starts from the assumption that managers want to do a good job; thus, the main function of the board is to improve organizational performance while acting as a partner to the management (Donaldson, 1990).
3. *Resource dependence theory* is based on the premise that organizations depend crucially on other organizations and actors for resources for their survival (Pfeffer and Salancik, 1978). Thus, the board has a boundary-spanning role in which it must maintain good relations with key external stakeholders in order to ensure the flow of resources into and from the organization.
4. *The democratic perspective on governance* suggests that the task of the board is to represent the interests of one or more of the constituencies the organization serves (Cornforth, 2003).
5. *Stakeholder theory* assumes that organizations should be responsible to many groups in society rather than solely to the organization's "owners" (Freeman, 1984). This need to negotiate and resolve the potentially conflicting interests of different stakeholder groups results in a political role for boards (Cornforth, 2003).
6. *Managerial hegemony theory* (Mace, 1971) claims that due to the largely voluntary nature of board members' involvement and the subsequent constraints on their time, board power is limited and control is ceded to the managing director and his or her staff. The role of the board is consequently largely symbolic (rubber-stamp model) (Cornforth, 2003).

These theories are rather one-dimensional when taken individually and have been criticized for illuminating only one particular aspect of the board's work (Cornforth, 2003). We suggest that a more comprehensive perspective is needed to understand the complexity of nonprofit governance in voluntary associations.

This article analyzes the practical management experiences of nonprofit leaders in the organizational transition to an external orientation and integrates them into the existing literature of nonprofit governance and nonprofit life cycles. We propose that different theories might be of different advantage in explaining board behavior in different organizational life cycles.

Frameworks

Besides the theoretical perspectives applied, researchers have developed a range of practitioner-oriented, normative frameworks generating guidelines for nonprofit governance. Axelrod (1994), Carver (1990), and Houle (1989) propose universally applicable governance models. The policy governance model, for example, requires a strict separation of power between the board on the one hand and the CEO plus staff on the other hand (Houle, 1989; Carver, 1990). According to Carver (1990), governance includes making policy, articulating the mission, and sustaining the vision of the organization (stewardship theory), and these tasks should be exclusively fulfilled by the board. To avoid potential conflicts between board and CEO, Carver and Houle recommend a clarification of roles through lists of specific duties.

By contrast, Drucker (1990) states that the work of the managing director and the board cannot be divided neatly into policymaking versus execution of policy. He notes that the potential for friction between the board and the managing director "has forced an increasing number of nonprofits to realize that neither board nor CEO is 'the boss'" (Drucker, 1989, p. 91). According to Anheier (2005), in smaller organizations, such as the associations studied in this article, the functions of board and CEO overlap. We support the argument that there are no truly universally applicable models for nonprofit governance (Holland, Leslie, and Holzhalb, 1993; Brudney and Murray, 1998; Friedman and Phillips, 2004) and thus try to identify specific governance challenges that managers and board members face in the organizational transition from orientation toward the inside to orientation toward the outside.

Method

Due to the scarce literature on the changing governance challenges as voluntary associations develop, another researcher and I used a qualitative research design for this study. The data collection consisted of two phases. First, we conducted an in-depth case study analyzing one

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Swiss patient organization. We interviewed the association's president and managing director, as well as employees, volunteers, members, and various other internal and external stakeholders. In addition, we observed board meetings. After identifying the theme of development from an internal to an external orientation, we sought additional data for comparison, a practice known as theoretical sampling (Glaser and Strauss, 1967), to determine the extent of agreement and disagreement on the challenges of this transition phase. To that end, we selected four other patient associations facing similar circumstances and interviewed their presidents and managing directors.

Because we were interested in the personal experiences of presidents and managing directors in managing their organizations, we chose the method of narrative interviews, which enabled us to see things we were not particularly looking for (Mason, 2002). Hence, we did not ask our interview partners about governance challenges or life cycle stages in particular. Instead, the questions were open and personal, and they focused mostly on experiences and examples (Hermanns, 1991; Mason, 2002; Froschauer and Lueger, 2003).

We conducted twenty-five interviews, each lasting about an hour. All interviews were conducted by two interviewers. Following every interview, memory protocols were written by the two researchers. All interviews were transcribed. The memory protocols and the transcribed interviews formed the basis of our analysis. Furthermore, we had access to internal documents, such as minutes of board meetings that had taken place between 1990 and 2006. We used fine structure analysis and system structure analysis as developed by Froschauer and Lueger (2003) to interpret the data. This approach focuses on the interpretation of very small text units. To raise the credibility (Lincoln and Guba, 1985) of our data, we organized—in the sense of triangulation—two focus group discussions (Morgan, 1988) with our interview partners, one after every phase of data collection, to discuss the results of the analysis of the interviews. Transcribing the focus group discussions enabled us to reflect on and, where necessary, refine our findings.

Organizational Transition

As they grew, the five patient organizations underwent a transition from an orientation toward the inside to an orientation toward the outside. This section describes this organizational transition process along five management challenges.

At the time of the interviews, these associations had between thirty-four hundred and fourteen thousand members and from seven to forty paid staff positions. Two of the associations were founded in the late 1950s, two in the late 1980s, and one in 2002. All have a volunteer board of directors and a paid executive director. The five associations were founded as membership associations, and in the beginning most services or products were created exclusively for

their members. Over time, they started to provide services to non-members, and as a consequence they grew in size and importance. While in the past the associations had trusted in the fact that patients and their relatives would find their way to the organization through personal contact or on their own, they now began to launch professional marketing campaigns in order to address a broader audience of all patients in Switzerland.

To summarize, we found that all five of the patient associations were developing toward an external orientation. It is interesting to note that although the five associations differ in age and size, all of them were more or less on the same developmental path. During analysis of the narratives of the associations' managers and board members, five main management challenges faced by the organizations in this process of organizational transition emerged. We extended and revised these challenges according to the discussions in the two focus groups.

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One Target Group Versus Different Target Groups

All five associations were founded to assist patients affected by one specific disease; the support of patients and their relatives is the core of each organization's mission. However, as the organizations expanded, they found themselves confronted with more than one target group. Doctors, nurses, and therapists requested information and data that the associations had originally created only for their patients. They also started to work with the press and politicians to lobby on behalf of their disease. Some organizations were already providing specific information material and services for each target group. One managing director reported: "We have just started seminars for nurses to train them on how to treat patients with the XY disease. These seminars have more of an indirect influence on the patients." The organizations face the challenge of how to serve very different target groups effectively at the same time.

Self-Help Group Versus Competence Center

All five patient organizations were founded on the basis of their self-help groups, on which they still rely. These groups ensure that the organization itself is ingrained in the local community, and in most cases, new members find their way to the organization through personal contact with another group member. A self-help group is typically run by its members and remains relatively independent from its mother organization. In these groups, patients and relatives share their personal experiences with others affected by the same disease. The knowledge created and exchanged is generally informal and individual. However, the five associations all found that they also needed to serve the needs of other target groups. For instance, doctors, nurses, therapists, and the media requested professional services such

as scientific information on the disease. The organizations faced the challenge of ensuring an atmosphere of trust, confidentiality, and familiarity where members can share their experiences, while at the same time providing high-quality services for professionals as a “competence center”—a professional service-delivering agency. A managing director reported: “In our self-help groups, we have an ‘it’s going to be all right’ mentality of mutual support. People in these groups share their experiences or simply enjoy the company. . . . In our head office we just hired a researcher who will only be responsible for ensuring scientific high-quality publications on the XY disease.”

Lone Fighter Versus Cooperation

In order to fulfill their claim to be a competence center rather than simply an association of decentralized self-help groups, the patient organizations started to expand their network of cooperation. Because they wanted to meet the needs of different target groups in a professional way, they soon realized that they would not be able to provide the full spectrum of services on their own. For example, a more advanced organization had created a network of familiar organizations “to be able to know exactly which organization offers which service so we can give advice to our patients, but also to create new products and services together to serve more people more effectively,” as a managing director explained.

Internal Versus External Funding

Initially the associations financed themselves almost exclusively through membership fees and member donations. But after a certain period of time, they had grown big enough to be able to apply for government funding. Recently two of the five organizations started a professional fundraising campaign to address the general public. A fundraising agency was charged with raising donations by conducting a direct-mail campaign. From studying the minutes of the board meetings, we learned that this step had been widely discussed and that many board members opposed it. They feared that the “begging letters” would threaten the image of their organization as being charitable and give it a businesslike image. These board members argued that “members and beneficiaries could start to distrust the organization.” The main challenge was to attract new donors without losing the trust of members and beneficiaries.

Transparency

Transparency had not been an issue in the early stages of the organizations because almost all primary beneficiaries were also members. The members would “experience themselves the quality of the services and products on a regular basis and align their behavior as

voting members with their satisfaction as consumers” (von Schnurbein, 2006, p. 17). In the transition, the associations started to provide information to the broadened group of stakeholders and to the general public. Those organizations that had launched professional fundraising campaigns faced the additional challenge of informing their donors on a regular basis about the use of the donated funds. A managing director complained, “I spend more and more time on writing reports to justify what I did with the money. Sometimes this costs me almost as much time as the project itself.”

Implications for Governance

Based on the organizational transition and the management challenges that the patient organizations faced, we intend to deduce implications for the governance of these associations during this process. We will relate our findings to the literature on nonprofit governance and studies on nonprofit life cycle. In particular, we will apply studies of the life cycle of the entire organization (von Velsen-Zerweck, 1998) and the specific life cycle of the board of directors (Mathiasen, 1990; Wood, 1992). Von Velsen-Zerweck’s model (1998) describes the life of an association from birth, to expansion and establishment, to renewal. Wood’s model (1992) suggests that the board moves from a strong commitment to the mission in its early stages to a goal achievement focus as the organization becomes more bureaucratic in structure. Similarly, Mathiasen’s life cycle model of nonprofit boards (1990) has three stages: organizing board of volunteers, volunteer governing board, and institutional board, with turbulent periods of transition in between them. We will also show how different governance theories can be applied in different life cycle stages for explaining board behavior.

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Recruitment and Selection of Board Members

Many researchers emphasize the importance of the board of directors for the effectiveness of the overall organization (Bradshaw, 1992; Green and Griesinger, 1996; Herman and Renz, 1997, 1998; Jackson and Holland, 1998; Nobbie and Brudney, 2002). Without an excellent board of directors, a nonprofit is unlikely to attain its full potential (Herman and Renz, 1999). Because members of the board of directors work on a voluntary basis, many associations face recruitment difficulties and are thus continuously understaffed. Due to this understaffing, selection criteria for volunteer board members in many organizations are very low or do not exist at all (Pearce, 1993). There are no universally applicable guidelines for recruitment and selection of board members as there is no one best way to structure and compose a board of directors (Abzug, 1996). In a founding board of directors, for example, most board members are personally dedicated to advancing the programs their organization offers; they

are personally involved because they or a member of their family requires, or could have benefited from, the service (Wood, 1992).

The patient organizations in the transition to an external orientation faced multiple new challenges and therefore needed board members with specific qualifications; being personally concerned could no longer be the only selection criterion. Moreover, board members were no longer representatives of only the organization's members. They now had to represent the interests of various stakeholders: the primary beneficiaries (who were no longer identical with the members), the (external) donors, and the organizations they cooperate with, to name just a few. In this stage, the organizations studied decided it was no longer sufficient to have a board of directors that simply represented the interest of the members. Furthermore, they started to recruit board members who had not previously been members of the association.

The ability of the organization to recruit new board members with specific expertise in business, law, information technology, or other fields seemed crucial to successful growth. A managing director reported, "One of our new board members is an executive manager in a leading bank in Zurich; he has nothing to do with the XY disease—but that's not important to us at all. When he started I told him, we need him to know all our numbers, but he doesn't have to know anything about XY at all." Wood (1992) describes this development stage of the board of directors as the "supermanaging phase"; new board members have specific expertise that equips them to function as consultants to the staff.

Most volunteer organizations depend on a core group of board members who fulfill the most important functions (Pearce, 1993). Recruiting external people with expertise that has not been present in the organization before may provoke serious internal conflicts with these core members as they regard themselves as the owners of the organization. For example, organizations led by their founders do not seem to be interested in an infusion of new blood since they often have no mandatory limits to the number of years a person can serve on the board (Block and Rosenberg, 2002).

Tasks of the Board

The complexity of the tasks the board of directors must fulfill constantly grows while the organization develops from an introverted to an extroverted entity. The board is the link between the members and the professional staff, and it has to translate the members' interests into organizational aims (Schwarz, Purtschert, Giroud, and Schauer, 2005). In a member-oriented association, not only the board but also the executive and other staff will be expected to "act as assistants and facilitators for volunteer members" (Harris, 1998, p. 145). By contrast, the board of an extroverted organization has to represent the interests of and be responsible to various stakeholders

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in society, not only the members. This leads to a more political role for the board of directors as it negotiates and resolves potentially conflicting interests of different stakeholder groups and ensures transparency to all of the stakeholders it is accountable to (Cornforth, 2003).

In the wake of the development toward an external orientation, the five patient associations intensified external fundraising and had to manage their new cooperation with various partners. The board acts as a “boundary spanner” (Saidel and Harlan, 1998) in order to ensure the flow of resources into and from the organization and to help the organization respond to external change (Cornforth, 2003).

Our findings suggest that in an introverted organization, the board’s function is to represent the organization’s only owners—its members (democratic perspective)—and to ensure that management acts in the members’ interest (agency theory). By contrast, in an extroverted organization, agency theory does not seem to apply; there are multiple owners of the organization: members plus external donors, external beneficiaries, and so on (Murray, 1997; Miller, 2002). Moreover, the board’s role in an extroverted organization is to balance stakeholder needs (stakeholder theory) and secure resources by maintaining stakeholder relations (resource dependence theory).

Interaction with the organization’s members decreased as informal meetings with democratic decision-making processes became rare in the transition process to an external orientation. This led to an information asymmetry between members on the one side and the board of directors and the management staff on the other (von Velsen-Zerweck, 1998; Schwarz, Purtschert, Giroud, and Schauer, 2005). Thus, providing members with information became a new and central task for the boards. Comprehensive and detailed information was particularly important during this expansion phase, as the organizations risked losing the identification of their members with organizational goals as it became more heterogeneous and bureaucratic (Wood, 1992; von Velsen-Zerweck, 1998). Indeed, the institution of bureaucracy threatens the participatory impulses of an organization’s members (Milofsky, 1988). Furthermore, a board that focuses primarily on fundraising and other externally oriented activities runs the risk of gaining a life of its own, independent of the organization that it governs (Mathiasen, 1990).

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Relationship Between Board and Managing Director

The interactional dynamics of the board-executive relationship is essential to the proper functioning of every nonprofit organization (Drucker, 1990; Golensky, 1993). From our interviews, it emerged that a well-functioning relationship between board and managing director seems imperative for effective governance.

A board can adopt a participatory, corporate, or ratifying operating style depending on whether it feels compelled to demonstrate

ownership or, conversely, has confidence in the leadership of the professional manager (Wood, 1992, 1996). According to Mathiasen (1990) and Wood (1992), the board will have less involvement with operational roles and more involvement with governance roles as the organization is growing. Yet more recent studies have found no empirical support for this claim; Dart and Bradshaw suggest that engaging in strategic planning is not structurally related to the dynamics of growth and differentiation (Dart, Bradshaw, Murray, and Wolpin, 1996).

Murray, Bradshaw, and Wolpin (1992) have identified five distinctive patterns of governance: (1) the CEO-dominated nonprofit, where the board has no more than a rubber-stamp function; (2) the chair-dominated nonprofit, which is controlled by its elected leader; (3) the fragmented power model, where conflicts and different ideologies within the board predominate; (4) the power-sharing model, which is based on strong ideological commitment to the values of equality and democracy on both sides; and (5) the powerless board, which is locked between aimlessness and uncertainty. To summarize, the two most important patterns seem to be the board-dominated model, where the board is “meddling,” and the CEO-dominated model with a pure rubber-stamp board (Drucker, 1990; Cornforth, 2003).

Drucker (1990) suggests that neither the board nor the CEO is “the boss.” Despite the fact that the board ultimately is legally accountable for the organization’s actions, Drucker sees board and executive as colleagues working toward the same goal but each having a different task and says that the board and the CEO should work as a “double-bridge team,” where neither player is more important than the other one. The managing director is often the stronger partner as he or she generally remains longer in office than does the president of the board and thus has to adapt to the working style of different presidents. Managing directors must divide the work according to the board president’s personal strengths and weaknesses, so with every new president, the division of the work changes almost automatically (Drucker, 1990).

In our study, we saw board- and CEO-dominated organizations and could not identify any connection to their development stage in the transition from orientation toward the inside to orientation toward the outside. Therefore, we found the theory of managerial hegemony of limited use for our analysis. We did find support for Drucker’s thesis that organizations develop from board dominated to CEO dominated, and vice versa, when the president of the board or the CEO changes. “I had very hard times,” one managing director reported. “I had to work with five different board presidents during my fifteen years in office. I had to adapt to the managing style of each of them. Although I had definitely more experience, one board president took over power from the first day and treated me like a secretary. The next president was completely different; he did let me develop and implement my own ideas and plans without interfering.”

Thus, the ideal relationship and power division between board and CEO seem to depend less on the life cycle stage of the organization than on personalities and their individual strengths and weaknesses.

General Assembly

Members are the legitimating body of each association; their will becomes manifest in the annual general assembly of members. The general assembly ensures democracy within the organization. The board, with its members elected, decides about the admission and exclusion of members, and it can change the articles of association (Ettel and Nowotny, 2002). In many voluntary associations, the budget has to be approved in the general assembly, and the members have the right to be informed about future and past activities. Furthermore, associations do not have an external control organ. In democratically organized associations, the general assembly is sovereign (Ettel and Nowotny, 2002).

According to Harris (1998), meeting the needs of members might be difficult to reconcile with paying attention to the needs of nonmembers. In fact, in the organizations studied, the following questions arose concerning the general assembly of members: Is it legitimate for the members, who are no longer the center of attention, to continue to decide so much? Do members have enough accounting knowledge to understand the figures? Do they know enough about the medical and psychosocial aspects of the disease? Does it not put the whole organization at risk if members can decide about budget plans or asset-related issues? Should it really be the general assembly that elects the board members in a democratic process, or has the CEO or the board already preelected somebody? Which role do the members play in recruiting new board members?

In one organization, the CEO and the president decided that the general assembly, which was charged by the articles of association with deciding all asset-related issues, had too much power: "It was too much of a risk, so we had to change the articles of association in order to prevent the general assembly of members [from damaging] the organization."

The president of another organization reported: "Only approximately 2 to 5 percent of our members come to the general assembly. We are trying to make the assembly more interesting by inviting keynote speakers, so the event becomes like a 'family reunion.'" At the same time, the board of this association was discussing whether it was still appropriate to let the general assembly approve the budget, and they decided to no longer present the budget at the general assembly.

How can the members' interests be represented when the majorities no longer attend the assembly? How can an organization ensure high participation rates when members risk identifying themselves

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less with the organization because they are no longer the only beneficiaries?

Carver (1990) sees those who own the organization (in an introverted organization, its members) as being clearly in the most authoritative position. This does not apply to extroverted associations, where members are no longer the only owners. Hence, these organizations need to deal with two directions: inward to their members and outward to external constituencies (Harris, 1998).

Conclusion

Researchers have suggested that there is no one-size-fits-all model of nonprofit governance. So far, the role of members and primary beneficiaries in nonprofit governance has been studied only in member-oriented associations. In this article, we have shown how five voluntary associations went through a transition from an internal focus to providing services mainly to nonmembers. Because the stage in the organizational life cycle influences the roles of board and executive (Zald, 1969), we focused on the governance challenges faced by managers and board members of five Swiss patient organizations undergoing this transition process. Future research might also account for changes in governance patterns as organizations develop.

The outcome of this exploratory study on the governance challenges of voluntary associations during organizational transition can be divided into theoretical and practical implications. Given the variety of theories that have been used to explain board behavior, we have proposed that different theories may offer different advantages in explaining board behavior in different organizational life cycle stages.

Our findings also suggest various helpful implications for practitioners working in voluntary associations. Managers and board members in the five patient organizations had to pay attention to the role of their members and manage the transition to an external orientation very carefully in order to sustain the identification of their members with the organization while also maintaining the organization's effectiveness.

In particular, managers and board members saw themselves confronted with four governance challenges. First, new recruitment strategies and selection criteria for board members were implemented in order to cope with the challenges of an external orientation. Second, the role of the boards developed from representing the interest of the members (democratic perspective) and ensuring the compliance of management (agency theory) to the task of balancing stakeholder needs (stakeholder theory) and securing resources (resource dependence theory). Third, we could not identify any connection between the development stage of one organization in the organizational transition from an orientation toward the inside to an external orientation and whether it was dominated by its CEO or its board. The ideal relationship relied on personalities. Fourth, we have

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pointed out the dilemma of the general assembly of members. Board members were confronted with the question of how much power they should give to the assembly.

This study does have some limitations. Due to its exploratory nature, the results are purely descriptive and cannot yet be generalized. Future quantitative research will have to test these preliminary findings empirically on a large scale.

Moreover, all five organizations are Swiss, and because they work under the specific conditions of the Swiss health care and nonprofit sectors, our findings might be specific to Switzerland. In addition, the results might not be transferable to all growing associations, as perhaps not all of them will undergo the organizational transition described here. Thus, research in different voluntary associations experiencing considerable growth is needed. We identify challenges that managers and board members might face in this transition, but further research is necessary to understand the dynamics behind this process. What drives the externalization process? Do external actors put demands on the organization? And how do members react to such external pressures? Furthermore, the role of membership and primary beneficiaries is just one aspect; other criteria of differentiation and their implications for nonprofit governance need to be studied.

Although we do not agree with the assumption that the model of volunteer board members used today is the greatest internal risk factor for the future of many nonprofits (Langnickel, 2000), we do emphasize the importance of highly qualified candidates for the boards to ensure the successful growth of any nonprofit organization. Further research is necessary to study the specific role of volunteering for nonprofit governance and to examine the “unique structure of dual leadership between volunteers and paid staff” (Inglis, Alexander, and Weaver, 1999, p. 154).

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