



The Not for Profit Board's Role in Stakeholder Relations: Survey Results and Analysis

Todd Cain, Laura Edgar and Dustin Munroe
Institute on Governance



Institute on
Governance

LEADING EXPERTISE

Institut sur
la gouvernance

EXPERTISE DE POINTE

Acknowledgements

The Institute on Governance (IOG) would like to thank the individuals that participated in the Not-for-Profit Advisory Council for their recommendations on the design, distribution, and findings of the survey report. Board and executive leaders from the following organizations participated in this project: Canadian Conference of the Arts, Canadian Co-operative Association, Parkinson Society Canada, David Suzuki Foundation, Mining Association of Canada, Canadian Produce Marketing Association, Community Foundations of Canada, United Way/Centraide Canada, YMCA Canada, and Canadian Soccer Association.

Introduction

The Institute on Governance defines governance as the process whereby societies or organizations make their important decisions, determine who has voice, identify who is engaged in the process, and establish how account is rendered. The Institute's principles-based approach indicates that good governance exists where those in positions of power are perceived to have acquired their power *legitimately*, and there is appropriate *voice* accorded to those whose interests are affected by decisions. In addition, the use of power should result in a sense of overall *direction* that serves as a guide to action. Governance should also lead to *performance* that is responsive to the interests of citizens, members or stakeholders. In addition, good governance demands *accountability* between those in positions of power and those whose interests they are to serve. Finally, governance should be *fair and ethical*, which implies conformity to the rule of law and the principle of equity.

The results of good governance are trust, credibility, legitimacy, results that matter, the ability to weather crises, strong relationships with members and stakeholders, and a climate and relationships that are receptive to fundraising. The ramifications of inadequate governance can be equally great. If an organization fails to carry out this role effectively, it stands to lose credibility with its members and the public at large, damage its ability to carry out policies or deliver services, and ultimately fail at its primary mission or objectives.

There is a well-established body of literature and practice in not-for-profit (NFP) governance on the roles and responsibilities of a board. Fiduciary duties, oversight of the CEO, financial oversight, risk management and strategic planning are a few of the major board roles and responsibilities that are well understood. However, one of the major weaknesses that exists in the theory and practice of a board's basic roles and responsibilities is in the area of stakeholder relations. While a sizable body of literature has been produced on stakeholder relations within the private sector since the 1984 publication of R.E. Freeman's landmark book *Strategic Management: A Stakeholder Approach*, the same cannot be said for stakeholder relations in the NFP sector or the co-operative sector. By focusing on the relationship between stakeholders and boards, we can develop models and practices that assist boards in this important but underdeveloped area of NFP governance.

Research questions

Ensuring effective relationships with stakeholders is one of the ten IOG *Characteristics of High Performance Boards*.¹ But what does this mean in practice? To explore and

¹ The IOG's Characteristics of High Performance Boards are: (1) develop and maintain longer-term vision and clear sense of direction; (2) they ensure the prevalence of high ethical standards and respect for legal obligations; (3) they ensure effective performance; (4) they ensure financial and organizational health; (5) the ensure sound relationships with external stakeholders; (6) they ensure sound relationships with their members / clients; (7) they effectively manage risk; (8) they are accountable through publicly available

examine the approaches and practices related to stakeholder relations in a governance context the following research questions guided this project: How are the boards of NFP and related organizations currently identifying and engaging stakeholders? What governance models for stakeholder relations exist or can be created to help boards fulfill this role? What roles should boards play distinct from staff?

Key Concepts

Defining the key concepts related to board and stakeholder relations sets some broad parameters for pursuing answers to the research questions of this study. It has already been stated that there is a gap in the current literature on specific governance models for stakeholder relations. Nevertheless, key concepts related to stakeholder relations such as “moral ownership”, “stakeholder identification”, “stakeholder analysis”, and “stakeholder engagement” are used in the theory and practice of NFP governance.

Moral Ownership

In his voluminous writing on NFP governance, John Carver introduces the concept of “moral ownership”, whereby an organization depends on the integration of varied interests for their legitimacy.² Carver places the responsibility for integrating these interests squarely on the board. However, even in NFPs with strong membership structures, navigating with this “moral” compass remains a major challenge.

Stakeholder Identification and Analysis

Mitchell, Agle, and Wood have identified in the scholarly literature dozens of definitions for the term stakeholder.³ Building off this foundation, and Carver’s concept of moral ownership, it can be generally stated that stakeholder relations involves the identification, analysis, and management of relationships with individuals and institutions with a legitimate and material voice in an organization’s decision making or operations. From the IOG’s experience in advising and researching NFP organizations, it has been found that the stakeholders of NFP organizations can include clients, members, funders, staff, volunteers, the local community, partners, the government, and many others. The board of directors is also a stakeholder, but its governance function demands that it perform a leadership role in relation to other stakeholders.

information; (9) the hire, oversee and assess the performance of the chief staff officer; and, (10) they ensure the soundness of the governance system.

² Carver, John. 2006. *Boards That Make a Difference: A New Design for Leadership in Nonprofit and Public Organizations*, 3rd Edition” San Francisco: Jossey-Bass.

³ Mitchell, Ronald K., Bradley R. Agle, and Donna J. Wood. 1997. “Toward a Theory of Stakeholder Identification and Salience: Defining the Principle of Who and What Really Counts.” *The Academy of Management Review*, Vol. 22, No. 4, pp. 858.

Identifying and analyzing these stakeholders can be a complex task: relationships differ, their weight of influence varies, competing interests must be balanced, and conflicting perspectives reconciled. The result is a complex web of players. Most voluntary and NFP organizations have a wide array of stakeholders. Stakeholders' connection can be legal, such as with members, or practical, such as with funders, or moral, such as with clients, partners, and the public at-large.

Stakeholder Engagement

The importance of stakeholders in the NFP sector adds a special dimension to governance, distinct from the challenges in public or private sector organizations. Representation and accountability to diffused interests become core parts of the governance process, closely intertwined with decision-making. The board of directors should play a key role in representing stakeholder interests in NFP organizations. Effective representation becomes linked to the legitimacy of the leadership and the decisions they make.

Governance is a process centered on decision-making. Stakeholders, through various means, input into the organization, shape its values and ideas or provide financial and human resources. It follows that decision makers should be held to account for the decisions they make on the stakeholders' behalf and any ramifications for the organization. Accountability relationships vary greatly with different stakeholders and different legal structures.

Methodology

The IOG used a survey in order to gain the knowledge and experience of senior NFP leaders on board and stakeholder relations. The survey had 34 questions divided into five main sections: organizational profile, identifying and engaging stakeholders, the board's role, tools and techniques, and analysis and measurement. This structure covers the two related areas that guide this research: 1) identification, analysis, and engagement of stakeholders 2) the board of directors of NPF and related organizations. The nationally distributed, bilingual survey was made available electronically to NFP and related organizations through various channels. The survey targeted one board member and one senior executive from each respondent organization and achieved a fairly even split of responses from those two groups. A total of 273 individuals started the survey and 217 finished it.

Findings on Stakeholder Identification, Analysis, and Engagement

The survey was distributed to NFPs and co-operatives across Canada. There were some key trends in organizational type that defined a broad swath of the sample. The most notable trend was responses from small to medium-scale, NFP, charitable organizations with small to medium-sized (10.5 director average) governing boards. The most common principal activity for the responding organizations, among the 14 options

provided, were Health, Social Services, Education & Research, and Arts & Culture, which represented 17.2%, 28%, 11.5%, and 21.8% of the sample respectively.

The Stakeholders that Matter

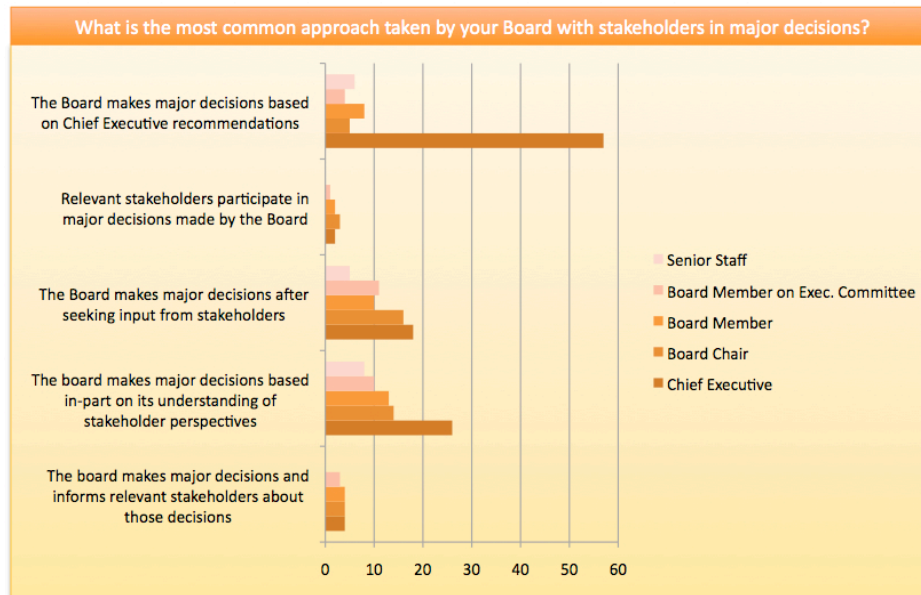
A broad-based appraisal of the value of specific stakeholder groups to the NPF leadership can be gained from this survey based on evaluating the perceived value of engaging these stakeholders to improve organizational legitimacy, setting of objectives, and managing risk. These rankings are ordered: 1) members 2) staff 3) volunteers 4) funders 5) clients 6) local community 7) partners 8) community of interest 9) chapters. “Staff” received the most responses to being “very significant” in terms of risk management and organizational legitimacy. Interestingly, the finding on organizational legitimacy for this stakeholder group contrasts with John Carver’s concept of the board serving the interest of a third sector organization’s external “owners” before they serve the interests of internal relationships with staff.⁴

The Board’s Role

Responsibilities for stakeholder relations varied among individuals that held different positions in their organization, but it appears leadership matters. It was found that chief executives and board chairs both had a highly significant role in stakeholder relations when compared to the role played by the general board members and staff members. As for a direct role in stakeholder relations by boards, there was an even split in practice. When it came to the board’s role in relations with specific stakeholder groups, it was found that many boards take a primary role in engagement when it comes to member relations and a secondary role in funder/donor relations.

One of the more interesting findings in this area was that the views of chief executives differed from the views of board members on the role of the board in determining how stakeholder engagement would be involved in decision making. Over half of the chief executives selected that their board’s approach to integrating stakeholder engagement into major decisions was based on chief executive recommendations. On the other hand, it was found that 69% of board members (chairs, committee members, and general board members) were part of boards that made major decisions based on how they understood stakeholder perspectives or based on the input that they sought directly from stakeholders.

⁴ The traditional private sector concept of “owners” cannot be directly applied to not-for-profit (NFP) organizations; instead, ownership must be interpreted through a normative lens. For instance, communities are the owners of agencies that provide community-based services. As for Boards, the Policy Governance model requires that relationships with an organization’s external owners must have primacy over internal relationships with staff. Carver, 2006.



Similar to the variation in direct engagement by the board, there was even greater variation in the decision of whether or not to represent stakeholder interests on boards. This occurred directly or partially in roughly 1/3 of the cases, indirectly in 1/3 of the cases, and not at all in 1/3 of the cases. The issue of representation of stakeholders on boards holds particular importance for this research, as stakeholder relations tools and techniques can act to replace the need for direct representation and allow a more skills-based board to be introduced.

It was found that the way in which board members are elected or named to the board had an impact in some areas on approaches to stakeholder relations. Organizations with board members that were elected or named by members at-large or specific constituencies were more likely to have conducted direct assessment of stakeholders than organizations that are elected by the board itself. Boards that demonstrate representation by specific constituencies were more likely to have occasional conflicts of loyalty than boards selected by members of the board itself. Finally, it was found that boards that elect their own directors could be less responsive to members, as there was lower use of indicators by these types of organizations that measure member relations.

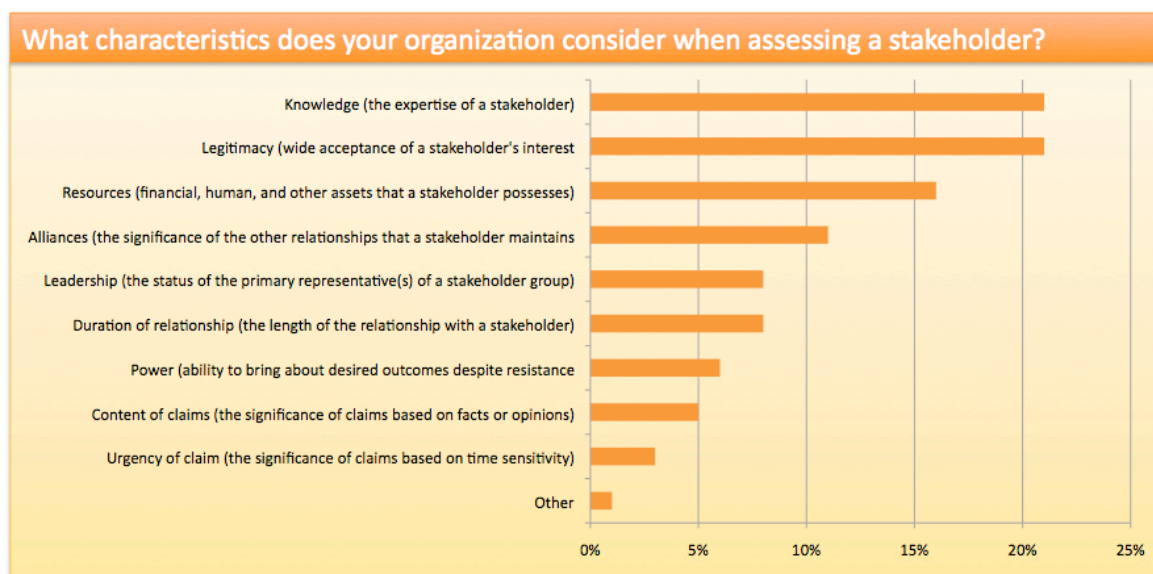
Common Tools and Techniques

The findings reveal that there is a foundation of stakeholder strategies that are drawn from the most popular practices. The survey revealed that annual reports, annual general meetings, and to a lesser degree audits were considered the foundation of engaging stakeholders and demonstrating accountability. Other tools that were most common included the use of committees, public meetings/events, communications, and performance reports. External advisory committees are a common alternative to direct board representation of stakeholders. These committees were found to most commonly report to the board on programming issues, which is significant because the IOG most often recommends that program advisory committees report to staff because this input

belongs at the operational level. In terms of engagement techniques, it was found that information disclosure and consultation are considered very valuable, while other techniques like stakeholder participation, power sharing, information technology, and advocacy were considerably less valuable to respondents.

Broad Findings on Stakeholder Analysis and Measurement

The survey reveals that organizations look for status and substance when prioritizing stakeholders. The top characteristics⁵ used to assess stakeholders were legitimacy, knowledge, and resources. The characteristics of power, leadership, and duration of relationship received a much lower percentage of responses. Significant ways of measuring stakeholder relations included customer service ratings, member satisfaction, donor data, polling, and surveys. Indicators that measure negative feedback were also



important to respondent organizations, as indicated by high use of community, client, and member complaints to measure the quality of stakeholder relations. Despite some variations in the different types of measures and indicators used, it should be noted that these forms of measurement are not widely adopted overall. The most overall popular reasons for utilizing stakeholder analysis were to determine strategy and design programs, while setting vision, assessing performance, and fundraising strategy were less used purposes for stakeholder analysis.

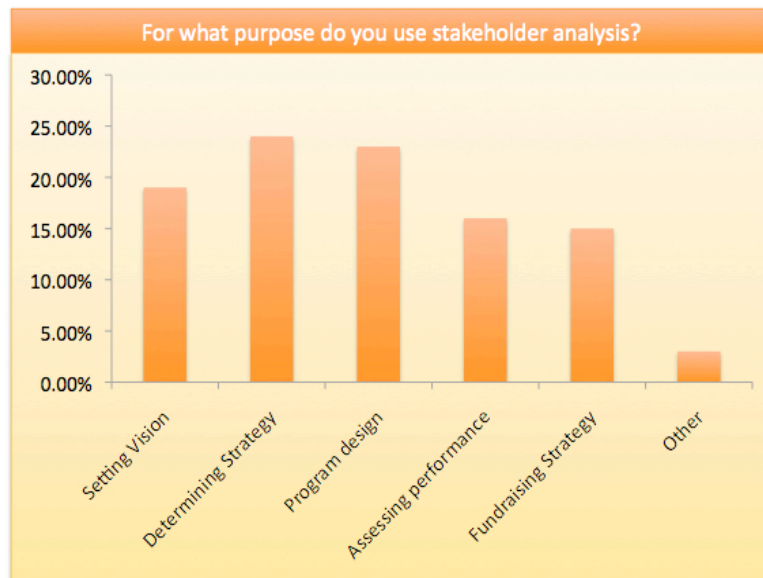
Findings on the Importance of Organizational Attributes in Stakeholder Relations

Organizations in the NFP sector and related sectors can vary quite widely based on the attributes that determine their functions. The survey revealed that five attributes in particular created measurable differences in their approach to stakeholder relations. These attributes included governance model, primary source of revenue, legal or structural form, size, and principal activities.

⁵ The categories of “legitimacy”, “power”, and “urgency” are adapted from Mitchell, Agle, and Wood, 1997.

Organizational Attribute #1 – Governance Model

The type of governance model⁶ that an organization employs has a correlation to its approach to stakeholder relations. As a general observation, it was found that the governance model of an organization was related to the size of the organization. Operational models were related to the smallest organizations, management the second smallest, then traditional, and policy governance models being used in the largest organizations. Not surprisingly it was found that boards that had operational or management governance models were more likely to have a direct role in



stakeholder relations. This can be expected as smaller organizations would have more hands-on boards due having a small number of staff members or no staff at all. As organizations grow, it is shown that they grow to become much more likely to have a chief executive that has a very strong role in stakeholder relations. It can be extrapolated that as organizations grow they tend to move from heavy board leadership in stakeholder relations to heavy chief executive leadership, arguably moving too far from one to the other as they develop.

Governance Models

Operational: The Board governs and performs the work of the organization, which typically occurs when there is no staff.

Management: The Board governs and manages operations, but may have some staff such as a coordinator.

Traditional: The Board governs and oversees operations through committees but delegates the management function to the CEO/Executive Director.

Policy: The Board governs by setting the objectives and expected results for the organization, determines any limitations on an otherwise broadly empowered executive head, and makes minimal use of committees.

There were also more detailed findings for each governance model. Use of the traditional model is related to a very balanced approach to stakeholder relations with very wide engagement. The policy governance model has a high correlation to use of stakeholder analysis to improve strategy and performance and to use of stakeholder relations to respond to complaints. The operational model had a high response rate for the use of stakeholder relations to grow their membership, and were much less

⁶ John and Miriam Carver popularized the Policy Governance Model in a series of books published by Jossey-Bass since 1990, while Cyril Houle's *Governing Boards* is a classic example of the traditional model. Mel Gill has written extensively on NFP governance models, including descriptions of the operational and management models in his articles "Building Effective Approaches to Governance" and "Governance Models: What's Right for Your Organization?"

concerned with strategic or performance considerations than the average.

Organizational Attribute #2 – Primary Revenue Source

The primary revenue source that an organization depends on can have an impact on its approach to stakeholder relations. For the overall survey sample, it was found that sources of funding were slightly staggered but somewhat balanced between reliance on revenue from government grants, earned income, donations, and membership fees. The findings on the impact of the primary revenue source was achieved by honing in on organizations that receives more than 50% of their revenues from a single source. Organizations that depend on government grants value all stakeholder groups more overall; were more likely to use audits as an accountability tool; were much more likely to make decisions based on chief executive recommendations; and valued stakeholders based on their “Knowledge”. Organizations that depend on earned income valued client/customer stakeholders above average; were more likely to use tools/indicators like surveys, client service feedback, advertising, complaints, and sales data; and valued stakeholders based on their “Leadership” and the “Duration of Relationship”. Organizations that relied on fundraising valued donors and funders more than average; used donor data measurement more than the average; used all other stakeholder tools/measures/analysis less than average; and valued stakeholders that demonstrated “Legitimacy”, “Power”, and “Resources”.

Organizational Attribute #3 – Legal and Structural Form

Of the 261 responses to the question on organizational legal form, there were 22 that identified as a co-operative or credit union. This low level of response is difficult to break down further; yet, there were some interesting findings that demonstrate how co-operatives differ in their approach to stakeholder relations from NFP organizations. Co-operatives tend to be larger in scale, more likely to be business or commercially oriented in their activities, and more likely to use stakeholder analysis to assess performance. They demonstrated leadership in stakeholder relations through a much higher than average use of direct assessment of stakeholder interests and higher use of nearly every stakeholder engagement tool provided as an option. Co-ops prefer the stakeholder engagement tools of the annual general meeting, surveys, client service feedback, and member meetings.

There was a very high level of response from charities at 169 responses compared to 92 responses from non-charities. It was found that these organizations were more program-oriented than average as they were more likely to use stakeholder analysis for program design, were more willing to have advisory committees on programs that report to staff, and they most valued stakeholders that used their programs and services. Charities tend to be more driven by funders, donations, and volunteers, whereas non-charities tended to be more member-driven and strategic in their use of stakeholder relations.

While a significant majority of respondents were from standalone organizations, there were a notable number of responses from federations/national/apex organizations,

provincial/regional organizations, and chapters/affiliates within a broader organization. It was found that chapters relied heavily on donor levels for measurement and were most likely to use stakeholder relations for fundraising strategy. Federations are more likely to measure their stakeholder relations by monitoring membership numbers, and they more predominantly used stakeholder analysis for setting vision. Provincial and regional organizations were more likely to measure success by the number of strategic partnerships they had, and were most likely to use stakeholder analysis for program design.

Organizational Attribute #4 – Organizational Size

Not surprisingly, there was a correlation between an organization's expenditure size and other characteristics of breadth of operations such as staff size and legal size of the membership. The findings on the impact of expenditure size on stakeholder relations demonstrated more varied trends. Very small organizations were more likely to use stakeholder engagement for setting vision and fundraising, which declined in usage as organizations got larger. Smaller organizations tended to view all stakeholder concerns as equal, while larger organizations had a broad-based engagement approach including a preference for using stakeholder engagement for determining organizational objectives. Medium-sized organizations have the greatest challenge with direct representation of interests on the board, and not surprisingly conflicts of obligations for board members occurred most often in these organizations. Clearly resources have an impact on the breadth of stakeholder engagement, as very large organizations were more likely to expand their outreach practices to include social media, advertising, surveys, and client service feedback.

Organizational Attribute #5 – Principal Activity

The activity area that an organization operates in has a correlation to its approach to stakeholder relations. There were four activity areas that drew responses that represent at least 10% of the sample. Organizations that engage in education & research were less likely to have directly engaged stakeholders, but annual reports remain an important tool for these organizations and government transfers remain an important indicator. Social services organizations were found to highly value their staff, clients, and funders. They also demonstrated a high level of accountability. Arts & Culture organizations were

| What tools does your organization use to engage stakeholders? | Cooperatives | NFPs |
|---|--------------|-------|
| Annual Report | 88.2% | 78.8% |
| Annual General Meetings | 94.1% | 79.3% |
| Group Meetings | 58.8% | 50.5% |
| Interviews | 41.2% | 46.2% |
| Surveys | 82.4% | 47.1% |
| Client Service Meetings | 70.6% | 44.7% |
| Social Media | 70.6% | 62.5% |
| Message Boards | 23.5% | 18.3% |
| Negotiations | 17.6% | 11.1% |
| Partnerships | 64.7% | 49.5% |
| Advisory Committees | 29.4% | 18.3% |
| Advertising | 58.8% | 38.5% |
| Campaigns | 41.2% | 35.1% |
| Member Meetings | 70.6% | 38.9% |

more likely to value their community of interest, their volunteers, and their local community. Health organizations were more likely to value members in determining their objectives and were more likely to use strategic external advisory committees than the average.

Summary of Findings

This survey has enabled findings on similarities in approaches to stakeholder relations across the NFP sector and the diversity of approaches that exist based on organizational attributes. While it is apparent that approaches to stakeholder relations vary based on organizational profile, we can draw some general conclusions about all organizations:

- Some stakeholders matter more than others regardless of organizational type.
- The data that supports the significance of staff as a stakeholder contrasts with Carver's theory of moral ownership.
- There is a broadly supported foundation of stakeholder tools and techniques.
- Stakeholder analysis is most consistently used for program design and determining strategy.
- There has not been a widespread adoption of performance measurement for stakeholder relations.
- Chief executives and boards have diverging views on the board's role in stakeholder relations.
- Type of governance model can indicate the scope of stakeholder relations and its role in activities of the organization.
- Approaches to stakeholder relations have some dependence on the primary revenue source of an organization.
- Co-operatives demonstrate leadership in member-based stakeholder relations and direct engagement of stakeholders.
- Charities demonstrate leadership in engaging stakeholders to improve programs.
- Direct representation of interests on a board can lead to conflicts of obligations, particularly for mid-sized operations.
- Boards elected by members are more responsive to stakeholders.

Practices learned from the findings

The findings of the survey research can serve as lessons to guide the practices of NFPs in their stakeholder relations and can be further refined into models that may be adopted by NFPs wishing to improve their approach to stakeholder relations. Lessons and practices include:

1. Using a variety of stakeholder engagement tools to reduce reliance on direct representation of interests on boards and the conflicts of obligations that may arise with direct representation.
2. A board must understand the nature of its own organization within the greater NFP sector's organizational types in order to best position itself to identify, engage, analyze and measure stakeholder relations.

3. A board should engage staff in order to manage stakeholder related risks, but must be aware that the “owners” of the organization, or those whose ends the organization exists to serve, should be the higher priority, and some independence from staff recommendations is required.
4. The board chair and chief executive need to take a leadership role in stakeholder relations, but part of this leadership involves ensuring that the board’s distinct responsibilities are established in the identification, engagement, and analysis of stakeholders.
5. Every NFP should seek to have the fundamental stakeholder relations tools and techniques like annual reports, members meetings, and audits while considering adoption of the other tools and techniques that meet its unique organizational profile.
6. NFP organizations should develop a stakeholder relations performance measurement plan that includes measures and indicators can help an organization evaluate whether it is receiving the input it needs from stakeholders and evaluate if it is giving stakeholders what they need to contribute to the achievement of organizational objectives.⁷
7. Reliance on a single source of revenue is a risk if an organization’s approach to stakeholder relations is not aligned to the stakeholders that control or influence that revenue source.
8. Opportunities to adopt best practices that transcend organization type should be explored that can transfer stakeholder relations knowledge from, for example, the co-operative sector to member-driven NFP organizations.
9. Election of board members can help ensure that they fulfill their roles and responsibilities in stakeholder engagement.
10. A board should establish clarity with its chief executive on whether it will take leadership in integrating stakeholder engagement into decision-making or whether it will rely on recommendations from the chief executive on how to integrate stakeholder engagement into decision-making.
11. There needs to be alignment between intake of stakeholder input and organizational functions.

Stakeholder Relations Models

The best practices that have been identified can be shaped into models based on tools and techniques that can assist NFP boards in identifying, analyzing, and engaging their stakeholders.

The Typology Tool

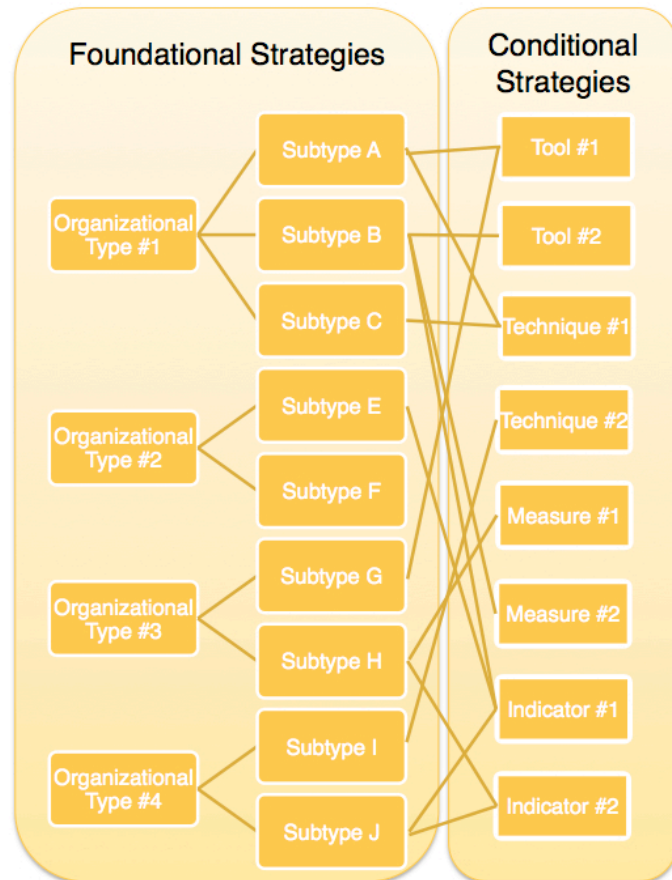
A key finding of this survey was that organizations within the NFP and co-operative sectors vary in their approaches to stakeholder relations based on the types of characteristics of the organization. A taxonomy tool can be used to help a board identify

⁷ This recommendation includes elements adapted from the Atkinson, Waterhouse, and Wells article “A Stakeholder Approach to Strategic Performance Measurement” that appeared in *MIT Sloan Management Review* on April 15, 1997.

their organizational type and then their subtype in order to determine the stakeholder relations strategies that are best suited for their organization including tools, techniques, measures, and indicators. It is recommended that all organizational types adopt foundational strategies. Examples of foundational stakeholder relations strategies are annual reports, annual general meetings, and audits.

Organizational type and subtypes can be determined by the characteristics that were used to create organizational profiles within the survey. These organizational characteristics include primary revenue source, legal status, structural form, principal activities, governance model, staff size, membership size, expenditure size, board size, and nominations process. Once a board has identified their subtype by using the typology tool, they can then determine the conditional strategies that are best suited for adoption for their organization.

This subtype will have associated conditional stakeholder relation strategies, some of which may be shared by other particular subtypes. These strategies may include a suite of tools, techniques, measures, and indicators, or perhaps only a single one of these strategies. It should also be noted that subtypes can be broken down into further layers of subtypes, or that subtypes may not be required at all.



More research and practice is needed to develop this model into a practical stakeholder relations tool. This research and practice should test combinations of characteristics that will define organizational types, subtypes, foundational strategies, and conditional strategies. An example may be:

- Organizational type examples: Co-operatives, Association NFPs, Charitable NFPs, and Non-Charitable NFPs.
- Organizational sub-type #A: Provincial Co-operatives, Federal Co-operative, and Credit Unions.
- Organizational sub-type #B: Association Federation, Association Chapter, and Standalone Association.
- Organizational sub-type #C: National Charity, Charity Chapter, and Standalone Charity.
- Foundational strategies: Annual Reports, Annual General Meetings, and Audits.

- Conditional strategy examples: Surveys, Client Service Feedback, Member Meetings, Social Media, Advocacy, Performance Reports, Grievance Mechanisms, Advertising.

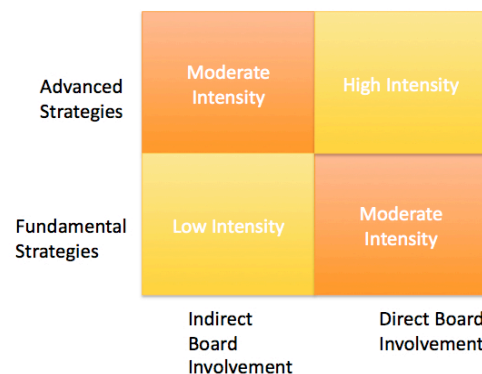
The power of this tool is in the ability of the board to align their organization with the strategies that suit their unique circumstances. Further development of the model could aim to create a comprehensive classification system or wide set of typologies.

The Engagement Intensity Tool

The abilities or preferences of a board may differ based on how directly it becomes engaged in stakeholder relations. In terms of strategies, it was found in this survey that most organizations use a number of fundamental strategies such as annual reports but that use of more advanced, innovative, or conditional strategies varied. It is proposed that these two findings are used to develop tools that measure the intensity of board engagement in stakeholder relations.⁸

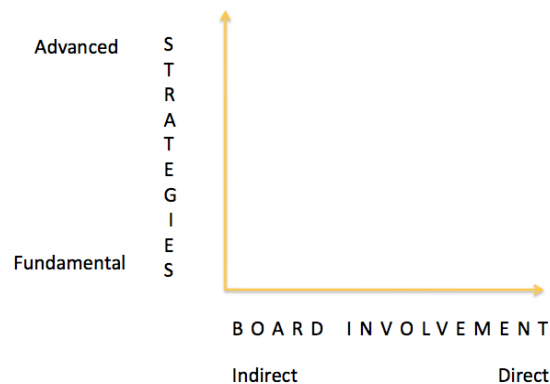
The matrix is one way of envisioning this tool for measuring engagement intensity. This matrix tool can help an organization take a quick snapshot of its board's engagement intensity. For more detailed tracking of engagement intensity, the Engagement Intensity graphing tool (see below) can be used for plotting developments over time or plotting multiple organizations, or both. The graph tool represents a comparison of two variables, "strategies" and "board involvement", which are valued like continuums rather than the strict dichotomies that appear from the labels.

Engagement Intensity by NFP Boards



Like the typology tool, more research is needed in this area. Specifically, strategies and directness of board involvement can be quantified in order to achieve precision plotting with the graph tool. A scored checklist, weighted or non-weighted, may be one simple option for quantifying these variables.

Engagement Intensity by NFP Boards

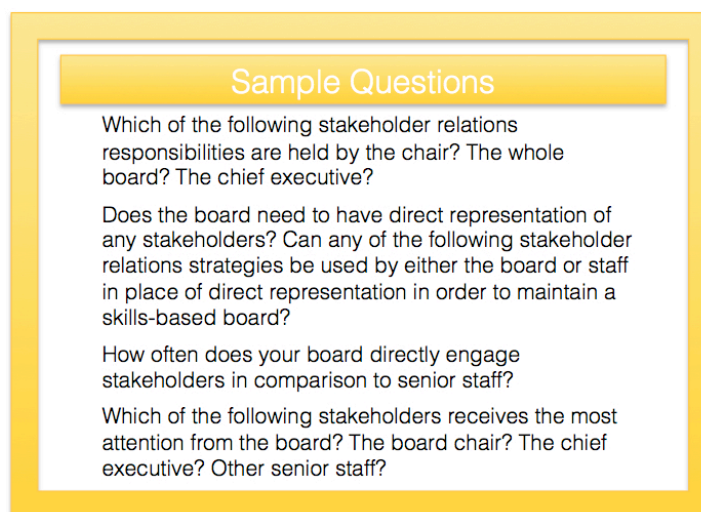


Stakeholder Relations Techniques for the Board and Chief Executive

Some of the key findings of the survey can be grouped together into the category

⁸ Stakeholder engagement intensity is introduced in "Stakeholder Engagement: A Good Practice Handbook for Companies Doing Business in Emerging Markets" as a way to broaden the concept of stakeholder engagement to take into account the level of priority, time, or money that a stakeholder receives from an organization.

of key organizational relationships and board-stakeholder relations. For example, it was found in the survey that overall chief executives and boards differed on their views of the board's role vis-à-vis the chief executive's role in stakeholder relations. Also, it was found that leadership matters, as the chief executive and board chair had a much more significant role in stakeholder relations than other board members and senior executives. Organizations that wish to address these relationship challenges should use the following techniques to clarify roles and responsibilities of the board and staff. An internal organizational survey on stakeholder relations is one such technique. A list of sample questions is included on the right. This survey tool would be highly customizable, but it is also difficult to create an exact model within this space due to the multiplicities of organizational relationships.



Another technique is to take existing stakeholder relation tools and applying an extra variable that splits board responsibilities and chief executives responsibilities. There is potential to redesign stakeholder engagement tools such as maps, matrices, typologies, grids, and so on, to include a clear assignment of roles and responsibilities for these two loci of power in NFP organizations.

A final technique recommendation is the adoption of a stakeholder performance measurement plan. Good stakeholder relations enable an organization to achieve the objectives that are desired by its owners, which includes facilitating contributions from stakeholders that will improve achievement of those objectives. The use of measurement and indicators produces data that can be used to evaluate performance in this critical area of organizational, and a board's, activities. Better stakeholder analysis, through performance measurement, can lead to more effective decision-making.

Conclusion

As noted at the beginning of this report, ensuring effective relationships with stakeholders is one of a NFP board's key responsibilities. The aim of this survey was to determine how NFP boards are identifying and engaging stakeholders, to determine what models and practices can be created to help them fulfill their role in this area, and to gain an understanding of how this role is distinct from that played by staff. Stakeholder identification, analysis, and engagement proved to be a useful conceptual framework for identifying some general findings on board-stakeholder relations related to these concerns. Organizational attributes emerged as an additional conceptual framework due to the fact that there is great diversity within the NFP and co-operatives

sectors and that this diversity of organizations correlates to a diversity of stakeholder relations approaches. Combined, these two findings were used to produce a list of practices and three models that can assist NFP boards in executing their stakeholder relations roles and responsibilities. These practices can be readily incorporated into a board's stakeholder relations strategy. The Typology Tool, the Engagement Intensity Tool, and the Stakeholder Relations Techniques for the Board and Chief Executive must be understood as preliminary models that require additional testing or research in order to fully validate their designs.

NFP and co-operative boards can take clear steps forward in their responsibility for stakeholder relations no matter how sophisticated their current practice. Boards that rely on direct representation of stakeholders can look to the growing number of engagement strategies that have been identified in this paper to evolve towards a more strategic board governance approach that allows them to engage stakeholders through process rather than structure. Boards that rely primarily on their CEO's recommendations on stakeholder input into their decision making can begin adopting some foundational strategies that allow them to establish a more robust role in stakeholder relations. Boards that already use these foundational strategies to intensify their engagement with stakeholders have an increasing number of more advanced strategies available that can improve their performance based on their unique needs and organizational profile. Boards that use both foundational and advanced engagement strategies can improve their management of these processes by measuring and evaluating them through stakeholder relations performance measurement. But regardless of how sophisticated a board is in its approach, and regardless of the unique profile of their organization, it is clear that stakeholder relations is a key responsibility of the boards of all NFP and co-operative organizations, and there are options and best practices available to boards that are seeking to take control of this responsibility.

References

- Atkinson, Anthony A., John H. Waterhouse, and Robert B. Wells. April 15, 1997. "A Stakeholder Approach to Strategic Performance Measurement". *MIT Sloan Management Review*. Boston: Massachusetts Institute of Technology.
- Carver, John. 2006. *Boards That Make a Difference: A New Design for Leadership in Nonprofit and Public Organizations, 3rd Edition*. San Francisco: Jossey-Bass.
- Freeman, R.E. 1984. *Strategic Management: A Stakeholder Approach*. Marshfield: Pittman.
- Gill, Mel. 2002. "Building Effective Approaches to Governance". *The Nonprofit Quarterly*. Vol. 9: 46-49.
- Gill, Mel. 2001. "Governance Models: What's Right for Your Organization?". Synergy Associates.
- Houle, Cyril. 1989. *Governing Boards: Their Nature and Nurture*. San Francisco: Jossey-Bass.
- International Finance Corporation. 2007. *Stakeholder Engagement: A Good Practice Handbook for Companies Doing Business in Emerging Markets*. Washington: IFC.
- Mitchell, Ronald K., Bradley R. Agle, and Donna J. Wood. 1997. "Toward a Theory of Stakeholder Identification and Salience: Defining the Principle of Who and What Really Counts." *The Academy of Management Review*, Vol. 22, No. 4, pp. 853-886.