

Composition of Directorate Boards of American Social Enterprises

Zachary Bartscherer

Nanette Levinson

Honors Capstone in International Studies

April 25, 2011

Abstract

An effective Board of Directors is vital for the functioning of any firm. Social enterprises, especially, must have a board that supports its unique goals. Focused not just on profits, but also creating social value and capital, boards of social enterprises must act to raise capital, oversee long-term operations, and direct any efforts to scale up and out their organization. With these responsibilities, this research seeks to analyze the composition of directorate boards in social enterprises based in the United States. Analysis of 177 organizations, from a wide range of opportunity niches, and over 2000 board members and their careers, found that males outnumber females in directorate boards nearly two to one. Though the banking, investing and finance fields contribute many board members, understandably, the majority of board members are social entrepreneurs associated with other organizations.

Composition of Directorate Boards of American Social Enterprises

Zachary Bartscherer

April 25, 2011

Introduction and Associated Literature:

For for-profit entities, the goal is to maximize financial and monetary profits, social enterprises, however seek to do more, they seek to maximize their social value and impact. Success is not measured just in dollars brought in, but also in services rendered and goodwill done. While for-profit firms are held accountable by their owners, social enterprises and not-for-profit firms have no owners, their accountability is held by a variety of stakeholders. The question undoubtedly arises then, who governs social enterprises?

Burgeoning social enterprises are often guided by a board of directors or advisors that are friends and acquaintances of the social entrepreneur. Soon, though, it is necessary for the organization to be governed by a board that reflects its different stakeholders including its membership, funders, consumers of its products, the community in which it operates, other complementary organizations, and representation from the profession in which it works.^{1,2} The role of a board of directors is more than just representing the constituencies and stakeholders it

¹ Gidron, Benjamin (2010). "Promoting Civil Society in Third Sector Organizations through Participatory Management Patterns." *European Management Journal* 28: 403-412.

² Low, Christ (2006). "A Framework for the Governance of Social Enterprise." *International Journal of Social Economics* 33 (5/6): 376-385.

serves, it must also be a “relationship among various participants [to] determine the direction and performance of corporations.”³

The role of the board can be seen as four-fold: fiduciary, strategic, supervisory and management development⁴. Its fiduciary role can be described as its responsibility of to protect the interests of its stakeholders, while its strategic role is to approve the management’s long-term plans and ensuring they remain consistent with the mission of the organization. The supervisory element involves the board delegating power and operations to the executive management team, which with its management development role, it has selected, evaluated and paid.

In these roles, the members of the board of directors have certain responsibilities including attendance at meetings, the organization’s mission, the chief executive, finances, program oversight and support, fundraising and monitoring its own effectiveness.⁵ Attendance at board meetings is crucial to the functioning of the board as it allows members to understand the governance roles of the organization and focus on a more specific area by participating on a committee. It can take up to a year, a fiscal cycle, to fully understand an organization’s ebbs and flows and how it operates.⁶ Defining the organization’s mission and reviewing strategic planning is another vital responsibility of the board of directors. In doing so, the board must consider the history and culture of the enterprise and use the mission as its

³ Monks, R. & Minow, N. (1995). *Corporate Governance*. Blackwell: Oxford

⁴ Labie, Marc (2001). “Corporate governance in Microfinance organizations: A long and winding road.” *Management Decision* 39(4): 296-301.

⁵ Howe, Fisher (1995). *Welcome to the Board: Your Guide to Effective Participation*. Jossey-Bass: San Francisco.

⁶ Jeter, Lynne (2006). “Understanding Roles as Non-Profit Board Members.” *The Mississippi Business Journal* 28(12): 22.

benchmark for appropriate and ethical action.⁷ The financial and fundraising roles of the board of the directors cannot be understated as many social enterprises are reliant on both earned income and contributed income⁸ - board members must be able to identify and leverage new sources of contributions and supporters.

Boards of directors make critical decisions about the functioning of the organization and must maintain the autonomy to do just that.⁹ The board must weight ethics of the enterprise with the operational costs. This area, governance, is one that frequently gets ignored. When recruiting board members, organizations often attract those who have achieved much - they are movers and shakers within their fields ready to take initiative and build upon it. Faced in the governance role of a board of directors, though, members are expected to reach consensus and act when called upon.¹⁰

At the same time, boards of directors need hold the chief executives accountable, and cannot just 'rubberstamp' management's proposals. One could describe the relationship between the board and the management as codependent: the executive provides professional skills and specific knowledge on the constituency of the organization while the board provides knowledge about the stakeholders and financial resources.¹¹

⁷ Scott, Katherine. (2000). *Creating Caring and Capable Boards*. Jossey-Bass: San Francisco.

⁸ Howe (1996).

⁹ Low (2006).

¹⁰ Ibid.

¹¹ Siebart, Patricia (2005). "Corporate Governance of Nonprofit Organizations: Cooperation and Control." *International Journal of Public Administration* 28:857-867.

Given these governance responsibilities, a social enterprise champion on a board is not an everyday leader. He or she must understand the business and realize that without money, there is no mission. They must also take risks while remaining optimistic of the outcomes. Though change must be embraced, they must stay resilient and stay the course. A good salesperson, a social enterprise champion must want organizational stability and growth all the while recognizing the difference between social enterprises and non-profits.¹²

These are tall orders in recruiting candidates for a board of directors. Worse, many candidates are unaware of the governance responsibilities of boards of directors, and attracted to the mission and activities of the enterprise, but not the governance role.¹³ As a result, often board members are recruited to fulfill secondary roles of fundraising and networking, leaving gaps in the organization's structure.

There is scant literature on who actually becomes a board member and what their backgrounds are. While so many authors give normative descriptions of who should be candidates for boards of directors, few go back and analyze the composition of the boards. One study, by Callen, April, and Tinkelman (2010), surveyed 123 organizations to study the effects of board composition and structure on performance. Their analysis of the composition relied on self-reported surveys from organization staff members and found that women comprised 10-30% of the board members and that 51-75% of board members simultaneously served on other

¹² Bauman, Wendy & Jatczak, Julann (2010). "Aligning Staff and Board Around a Venture". In *Succeeding at Social Enterprise*, Social Enterprise Alliance: Washington.

¹³ Pouyat, Sonia (2010). "Good Board Governance Is a Good Business Practice". In *Succeeding at Social Enterprise*, Social Enterprise Alliance: Washington.

boards. As for the representation of members from different industrial backgrounds, the authors note that 37% of the board members are people with “useful professional skill,” major donors represent 26% and well-known people account for 18% of the board members.¹⁴ This, however, is the extent of their analysis of the composition of the boards.

This research aims to fill this seemingly important gap in the literature by analyzing who is on the boards of directors in the United States, and especially what professional background they come from. The largest sample of non-profit organizations to date was the study by Callen et al (2010). Prior to Callen et al, the largest directorate study was completed by Moore et al (2002), who studied directorate interlocks between non-profit organizations, for-profit businesses and government committees, but only included 109 organizations and did not address the composition of the boards.¹⁵

Research Methods:

To get a full picture of the composition of directorate boards of American social enterprises, I surveyed 177 organizations with 2019 board members. The three main sources for lists of organizations used were Charity Navigator, Echoing Green, and Ashoka.

¹⁴ Callen, J., April, K., & Tinkelman, D. (2010). “The Contextual Impact of Nonprofit Board Composition and Structure on Organizational Performance: Agency and Resource Dependence Perspectives.” *Voluntas* 21:101-125.

¹⁵ Moore, G., Sobieraj, S., Whitt, J.A., Mayorova, O., Beaulieu, D. (2003). “Elite Interlocks in three U.S. Sectors: Nonprofit, Corporate, and Government.” *Social Science Quarterly* 83 (3): 726-742.

CharityNavigator.org is an online resource that rates charities and non-profits to provide information for potential donors. The site publishes lists of the top ten charities in various categories. I sampled organizations from the following: favorably reviewed, low-paid CEOs, super-sized, most consecutive 4-star rating, top-notch and highly rated. Both Echoing Green and Ashoka are organizations that provide fellowships and funding for budding social entrepreneurs. I sampled organizations affiliated with these social entrepreneurs. In using these sources to identify sample organizations I acknowledge that these organizations were picked by Charity Navigator, Ashoka, and Echoing Green for their good practices and track records, which may limit this research's ability to represent the entire social enterprise population.

Information about each organization was taken from their respective website, those without websites, or without information on the boards of directors were not included in this survey. When the enterprise listed the primary professional affiliation of its board members, a simple online search was used to determine the nature of the business, for which they worked.

The gender of the members of the boards of directors was determined by posted online pictures, if available, otherwise by first name recognition.

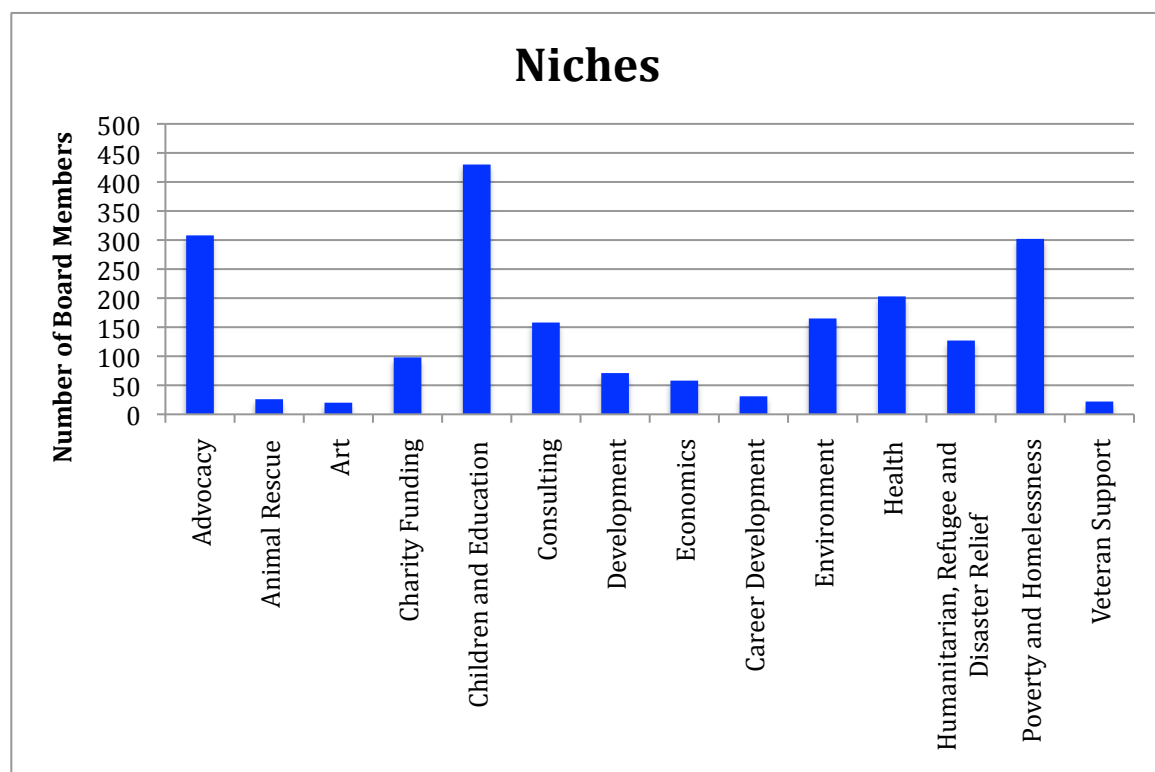
Description of Data:

175 organizations were surveyed, with boards ranging from just two members to over 40. The organizations were sorted by their niches - opportunity areas in which they direct services

Niches:

- **Advocacy** - these are organizations whose purpose is to raise awareness about an issue (e.g. Advocates for Informed Choice, Gay Straight Alliance, Khmer Legacies)
- **Animal Rescue** - these organizations aid and take care of neglected animals and pets (e.g. Sacramento SPCA)
- **Art** - these organizations promote art and artists in communities
- **Charity Funding** - these organizations, often foundations receive and disperse funds to other organizations (e.g. Catholic Charities, I Do Foundation)
- **Children and Education** - these organization's main focus is on the welfare and education of youth (e.g. Boys and Girls Club, Reading is Fundamental)
- **Consulting** - these organizations seek to provide services and knowledge to other enterprises (e.g. Fosfo, Taproot Foundation)
- **Development** - these organizations seek to address many of the development challenges both in the United States and Internationally (e.g. EGG-Energy, Indego Africa)
- **Economics** - these organizations provide economic information and services (e.g. Kiva, Washington DC Economic Partnership)
- **Career Development** - these organizations provide work training services to their constituents (e.g. Career Ladders Project)
- **Environment** - these organizations address environmental issues facing the world (e.g. Buffalo Reuse, Conservation International)

- **Health** - these organizations seek to address the health and wellness of those they serve (e.g. American Red Cross, Living Beyond Breast Cancer)
- **Humanitarian, refugee and disaster relief** - these organizations work mostly internationally on dangerous situations (e.g. Save Darfur, Iraq Refugee Assistance)
- **Poverty and Homelessness** - these organizations work with the poor providing meals, housing, clothes and other necessities (e.g. Goodwill, Hot Bread Kitchen)
- **Veteran support** - these organization provide services and assistance to returned American veterans (e.g. Semper Fi Fund)



Industry:

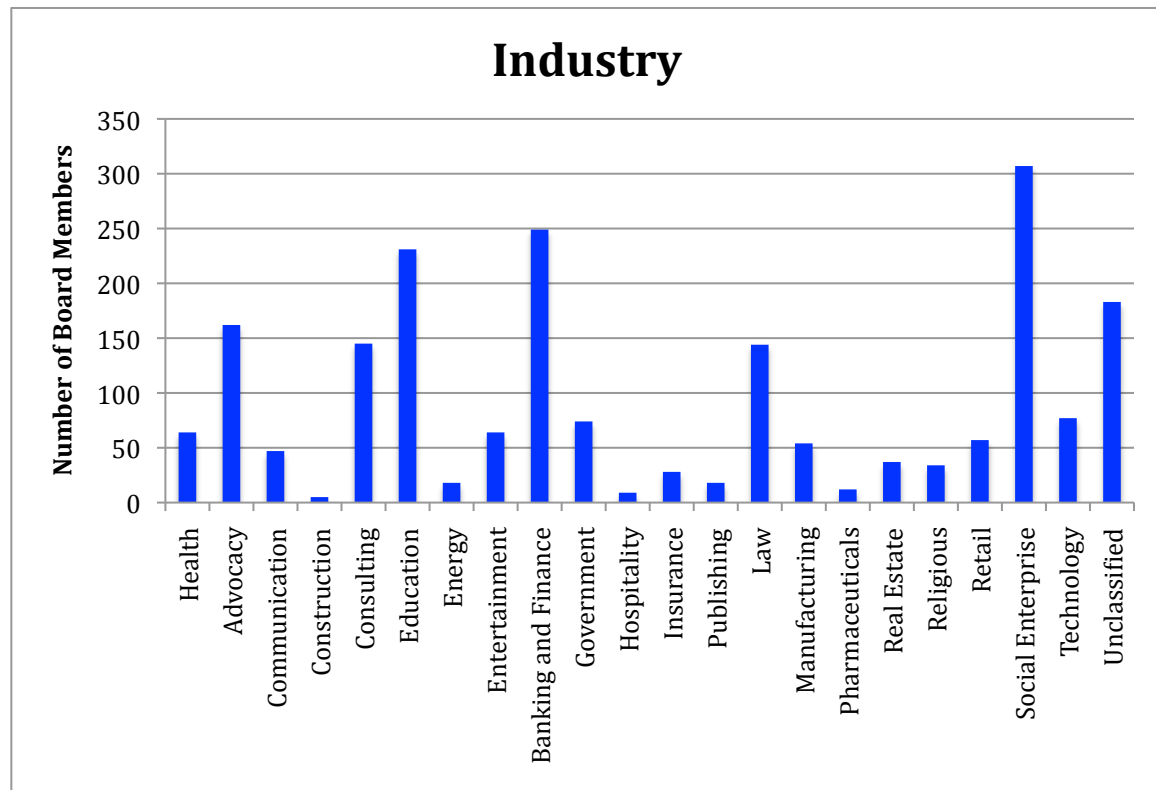
Each of the 2019 board members surveyed were classified into industry groups describing the main function of the firm or organization they work for. Though this data is perhaps less useful than their actual functions at their jobs, there was insufficient data on the individual level to warrant collection. If, for example, Mr. Smith works as a lawyer for HealthInsuranceCo, he would still be classified in the Insurance industry group, not the law group.

Industry Categories:

- **Health** - this includes direct health service providers (e.g. doctors, hospitals)
- **Advocacy** - this accounts for firms and people that work for a cause (e.g. Community volunteers, trade groups)
- **Communication** - these include advertising agencies and Public Relations firms
- **Construction**
- **Consulting**
- **Education**
- **Energy** - these are energy and utility companies
- **Entertainment** - this industry group includes celebrities, directors, and music/movie/television production companies
- **Banking and Finance** - this category includes almost any firm involved with financial transactions or knowledge (e.g. banks, investment funds, accounting)

- **Government** - this category includes those employed by state, local, national government
- **Hospitality**
- **Insurance**
- **Publishing** - this industry group includes publishing houses, and the media
- **Law**
- **Manufacturing** - this group is comprised of traditional heavy manufacturing firms (e.g. General Motors, Whirlpool)
- **Pharmaceuticals**
- **Real Estate**
- **Religious**
- **Retail**
- **Social Enterprise** - this category includes those people who's main occupation is working for or running another social enterprise. If an executive of an organization also sits on the board, she is categorized in this group.
- **Technology** - this category is comprised of firms based around computers and microprocessing (e.g. IBM, Google)

For 183 members of boards in the sample, no information could be found about their profession. These were coded as missing data and are not counted in subsequent analysis of industrial participation, though they are included in the gender analyses.



Data Analysis:

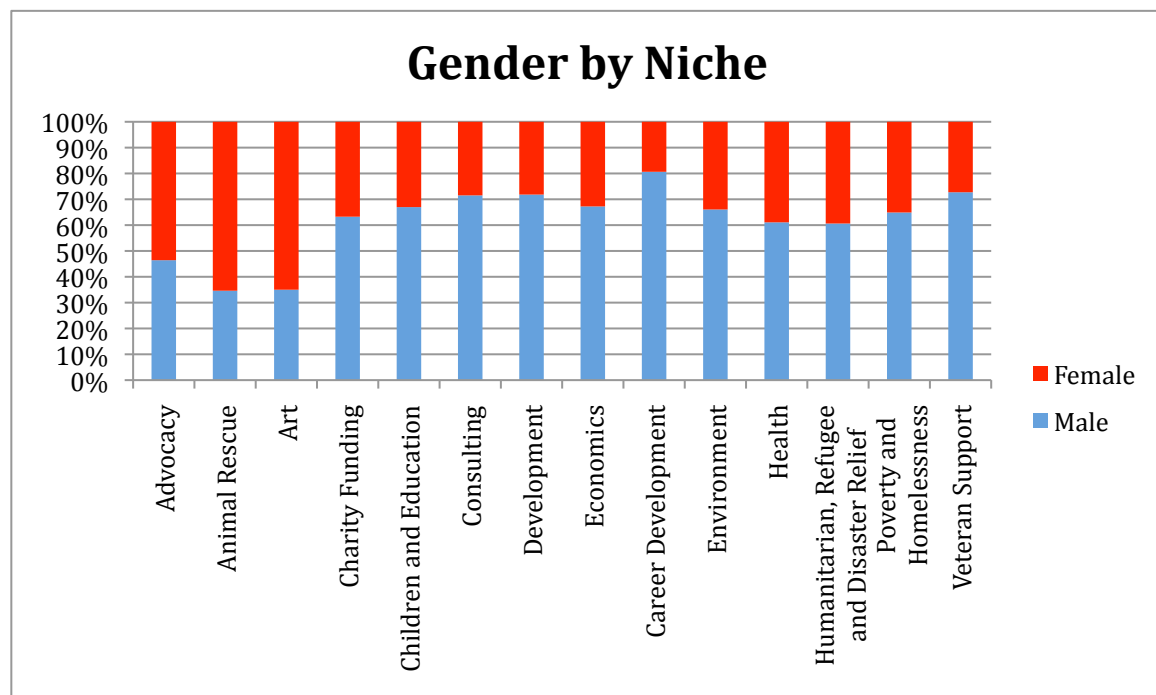
Gender Composition

The most noticeable trend in the composition of directorate boards in the United States is indeed the gender inequality. There are 760 female members of the boards in this sample, just 37.6% of the total.

By niche, the trend remains relatively the same. In most of the niches, there are about half as many female members of the boards than male members. The Children and Education niche is the largest, with 430 members, but there are only 142 women, and more than double, 288 men. Similarly, the poverty and homelessness niche, with 302 board members is composed of 196 men and only 106 women.

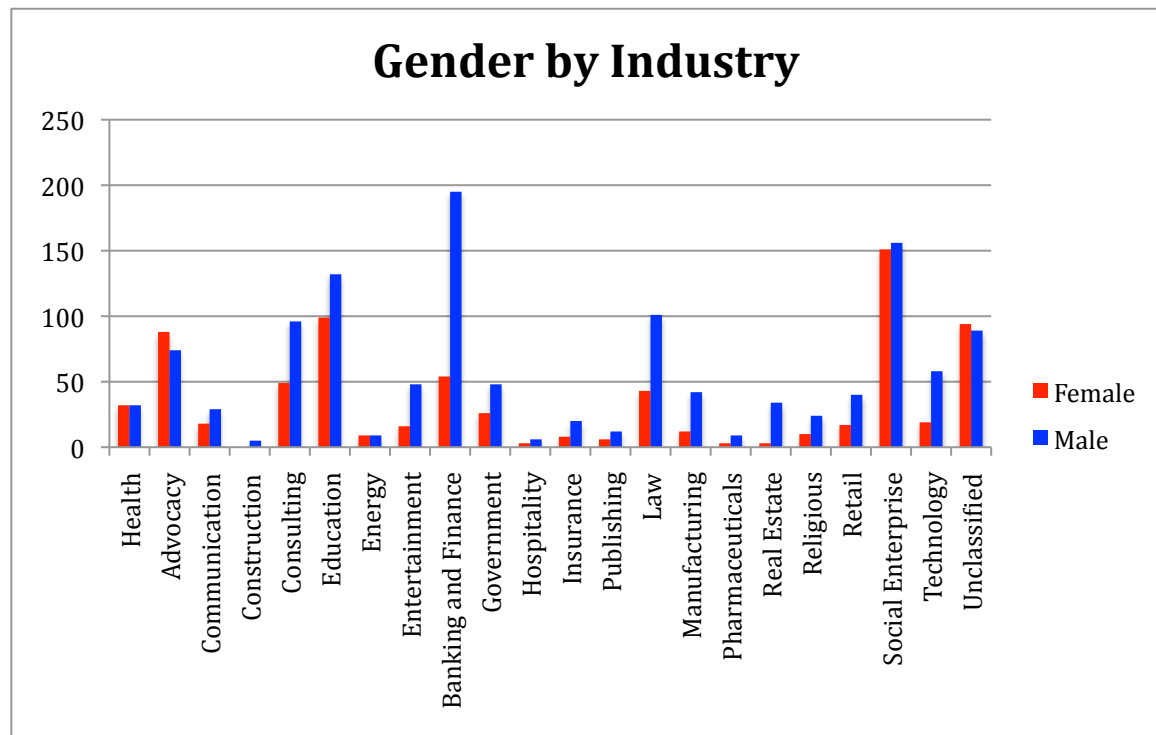
Social Enterprises classified as advocacy groups are the only niches that have a greater female population on the boards of directors. This was most noticeable in groups in the more specific niche women's rights and domestic violence.

Organizations within these specific opportunity areas had a much higher percentage of women on their boards than any other niche. Though both the animal rescue and art niches have more female dominated boards of directors in this sample, the sample is really too small to make any inferences about a more general pattern.



A slightly different story is found by looking at gender representation by industry group. Here, besides two industries, banking and finance and law, there is more parity between male and female participation; there are even exactly equal amounts of male and female board members who work in the health industry. Interestingly, though women make up only 37% of board members in social enterprises, there are an equal amount of social entrepreneurs sitting on boards as men in this sample.

The greatest disparity in boards of directors is found in the banking and finance industry. There are just 54 women from this industry included in this sample, compared to 195 men. The law industry, too, is heavily dominated by men with 101 members next to only 43 women.



Industry Composition

The largest share of members of directorate boards of social enterprises in the United States are other social entrepreneurs! Over 300 social entrepreneurs serve as board members as well as their day-to-day executive leadership roles. This number is a somewhat skewed up though, as many of the smaller social enterprises sampled include at least the Chief Executive/President of the organization on their board of directors. As previously mentioned, there is also the greatest gender equality among social entrepreneurs within this sample. In building a board of

directors, it would make sense to include other social entrepreneurs who are familiar with the field and challenges social enterprises face.

Also important in any social enterprise is the ability to secure funding.

Unsurprisingly, the banking and finance industry is well represented on the boards of American social enterprises, consisting 12% of all members. Having access to financial capital is especially important for social enterprises given the recent global financial crisis, which has made it difficult to secure steady streams of funding.

The education industry, which in this sample included mostly connections with universities, also makes up a significant amount of the directorate boards with 11%. Board members with connections to higher education have access to academic thinking and research regarding the niche of the organization and can thus prove invaluable in helping plan for future scaling up and out.

The law profession, too, is well represented with 7% of all the board members. Like social entrepreneurs, bankers, financiers, and academics, lawyers can serve a vital role on a board of directors by providing the legal knowledge necessary to comply with the myriad laws concerning non-profits in the United States.

Composition of Specific Niches

Examining the composition of boards of directors by niches shows that there is much heterogeneity in their composition. The three largest niche samples,

advocacy, children and education, and poverty and homelessness, have hardly any similarities in the percentage make-up of their boards.

Advocacy groups have 19.5% of their directorate boards composed of other social entrepreneurs, whereas the children and education, and poverty and homelessness niches have 14.1% and 6.3% respectively. Meanwhile, the Banking and Finance industry is more prevalent in boards relating to children and education than advocacy or poverty and homelessness boards.

Interestingly, organizations dealing with poverty and homelessness had no reported professional information on nearly a quarter of their board members, compared with the 9% sample average. This was observed during data collection as many of these organizations included their target stakeholders in their boards of directors to ensure accountability and

The next three largest sample niches, environment, health, and humanitarian, refugee and disaster relief, have a more homogenous spread of the breakdown of their directorate boards, but there is still evidence of significant variation.

Environmental enterprises have nearly 25% of their board members from advocacy professions, while health focused organizations have close to none. Whereas social entrepreneurs make up 20% of health enterprises' boards, they make up 16.5% of humanitarian, refugee, and disaster relief boards and fewer than 10% of environmental enterprises. For all three niches, professionals from banking and finance industry compose around 13% of the board members.

By percentage, social entrepreneurs are most prevalent on the boards of development focused social enterprises. Of the 71 board members in the sample, 24 were social entrepreneurs - more than 33%. This is of little surprise given the nature of these organizations. Their focus is to develop unique solutions to solve a plethora of problems in the developing world given extreme restraints. Under these conditions are exactly where social entrepreneurs thrive, and thus it makes complete sense that they should be recruited to serve on these boards of directors.

Interlocking Directorates

Apart from a quantitative analysis of the professional and gender composition of directorate boards, the most interesting quality of these data is their link to actual people. The 2019 observations represent not just the make-ups of boards of directors, but also individual people's participation in social change through governing social enterprises. In particular, is the existence of interlocking directorates - which occurs when people serve on multiple boards of directors, thus connecting the two organizations through their directorate boards. In this relatively small sample of just 177 enterprises, 17 board members also served on the boards of other enterprises in the sample and 21 organizations had interlocking directorates. The following list describes the networks formed between social enterprises sampled in this survey. These organizations, solely on their board membership, are linked, which can bring the potential for partnerships and new opportunities for scaling and securing their activities and services.

Goodwill Southern California-American Red Cross

Naya Jeevan - Global Health - Drapers Richards Kaplan Foundation - Agora Partners

- Build Change - One Acre Fund - Mapendo - Peace First

Soliya - Search for Common Ground - Iraq and Afghanistan Veterans of America

College Track - Stand for Children - Conservation International - New Schools

Venture Fund- Rocketship Education

Partners for Livable Communities - City Parks Alliance

I Do Network - Genocide Intervention Network - Save Darfur -EG Justice - Institute
for Business and Human Rights - Oxfam America

Conclusions:

As the composition of directorate boards varies much between niches, it is most likely that the variation occurs on a case-by-case level as well. Given the importance and broad responsibilities of the board though, this is understandable. Similar to what others have done, more data could be collected and analyze the effects of different compositions of board members on measures of the social enterprise's success. With the high diversity observed though, a much larger sample would most likely be needed to accurately represent the population. A larger sample, would also give opportunity to further study the instances of interlocking directorates in the social enterprise sector.

Organizations:

Accountability Counsel
Acterra
Adoption and Foster Care Mentoring
Adventist Southeast Asia Projects
Advocates for Informed Choice
Agora Partnerships
Albus Cavus
American Red Cross
AmeriCares
Appropriate Infrastructure Development Group
Asylum Access
Atlantic Philanthropies
Baby's Space
Beyond Borders
Beyond Shelter
BioSense
Blue Engine
Boundless Playgrounds
Boys and Girls Club of America
Bridge Over Troubled Waters
Buffalo Reuse
Build
Build Change
Building Educated Leaders for Life
Business for Social Responsibility
CARE
Career Ladders Project
Catholic Charities - Archdioces of Galveston
Ceasefire Chicago
Center for Economic Justice
Chordoma Foundation
Citizens for Animal Protection
City Hall Fellows
City Parks Alliance
Civic Ventures
Common Ground
Compass Partners
Compassion International
Computers for Youth
Connect NYC
Conservation International
Creative Interventions
Direct Relief International
Disaster Accountability Project
Dreaming Out Loud

Dreams for Kids
Earth Justice
Earth Rights
Echoing Green
eDemocracy
Eden Alternative
Educate!
EG Justice
EGG-Energy
Ella Baker Center
Embrace
Empowering Spirits Foundation
Energy Outreach Colorado
Ensaaf
Enzi
Family Independence Initiative
Farm Builders
FIRST
Food for the Poor
Fosfo
Fresh Lifelines for Youth
Frogtex
Gardens for Health International
Gay and Lesbian Advocates and Defenders
Gay Straight Alliance Network
Generation Citizen
Generation Schools
Generations of Hope
Genocide Intervention Network
Global Cycle Solutions
Global Deaf Connection
Global Fund for Children
Global Health Corps
Globus Relief
Goodwill Southern California
Green Corps
GTECH Strategies
Hampton Roads Community Foundation
Have Justice Will Travel
Hispanic Health Council
Homeless Emergency Project
Hot Bread Kitchen
Houston Food Bank
Human Rights Watch
I Do Foundation
I-MAK

In Arms Reach
Incentive Mentoring Program
Indego Africa
India Governs
Institutue for Business and Human Rights
Interface Children and Family Services
Interfaith Housing Coalititon
International Lifeline Fund
Iraq and Afghanistan Veterans of America
Iraq Refugee Assistance Project
Khmer Legacies
Kids in Need
Kiva
Little Kids Rock
Living Beyond Breast Cancer
Make the Road
Map International
Mapendo
Medic Mobile
Mercago Global
Missoula Food Bank
Mobil Metrix
My Sister's Keeper
NAACP
Napa Land Trust
National Mentoring Partnership
Naya Jeevan
New Schools Ventures
News Trust
Northwest Workers' Justice Project
One Acre Fund
OneWorld Health
OneWorld Now!
Oxfam America
Pachamama Alliance
Partners for Livable Communities
Peace First
PERC
Pine Street Inn
Polaris Project
Population Services International
Power of Hope
Public Patent Foundation
Public Radio Exchange
PUSH Buffalo
re:char
Reading is Fundamental
Real Food
Reciprocity
Resurrection after Exoneration

Rocketship Education
Root Capital
Rural China Education Foundation
Sacramento SPCA
Save Darfur
Search for Common Ground
Seeding Labs
Semper Fi Fund
Shelter Partnership
Shining Hope
Soliya
Stand for Children
Strategies for Children
Street Soldiers
Students Active for Ending Rape
Sustainable Health Enterprises
Taproot Foundation
Teaching Frims of America
Team-up For Youth
Techsoup Global
The After-school Corporation
The Algebra Project
The Greater Cincinnate Foundation
The Laundromat Project
The Op-Ed Project
Transgender Law Center
Video Volunteers
Wage Justice Center
Washington DC Economic Partnership
William James Foundation
Women's Action for New Directions
Workers' Rights Law Center
Workplace Fairness
World Wildlife Fund
Youth Build
Youth Represent