

# Boardroom Strategizing in Professional Associations: Processual and Institutional Perspectives\*

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**ABSTRACT** This study examines strategic decision-making at the boardroom level of two non-profit professional associations, penetrating directors' strategic orientations, discourse and decisions in their holistic context. In comparison with the predominantly survey and interview based literature on board level strategy behaviour, this study employs a longitudinal complete member researcher, participant observer methodology. Its findings are analysed from an institutional theory perspective and reveal selective championing of strategies by directors, the evaluation of strategic proposals and progress in predominantly financial resource/outcome terms, and directors' attention to navigating strategic initiatives through organizational politics. Also revealed are private sector philosophies imported into the non-profit boardroom, the predominantly ceremonial role of formal strategic plans, and an informally enacted strategic discourse. This study offers a unique insider view of Strategizing at the highest organizational level.

## INTRODUCTION

Our knowledge and understanding of boardroom strategic decision-making processes in private, public and third sector organizations today remains somewhat limited. Much of what we do know is the product of cross-company director interview and survey research. Very few studies have been conducted within the inner sanctum of the boardroom. Hence our view of directors' use of management information and reporting processes, and the way in which they strategize is largely reliant on their declarations. In the post Enron and WorldCom environment of reform and change, evidence of director behaviour obtained from observation within the boardroom allows us to 'get behind' their public declarations and penetrate strategic processes. This is as important for knowledge of boardroom strategic decision-making in non-profit organizations, as it is for business organizations. Indeed non-profit sector strategy research has been advocated by Harris (1994), Stone et al. (1999) and Steane and Christie (2001) citing the sector's socio-economic importance and the question of whether non-profit organization strate-

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gic processes have distinctive dimensions from those in the private sector. Non-profit sector organizations can be defined in several ways. These include organizations that are considered non-profit by law or custom, that are separate from government, self-governing and often owned by their members, do not distribute any surpluses to members or those who control them, and attract voluntary membership and service, often through committee and board memberships (DCITA, 2005; Lyons, 1999). In Austrália, non-profit sector organizations account for employment in the ibllowing proportions (Purdie, 2003): Social Services (26 per cent), Education and Research (24 per cent), Culture and Recreation (21 per cent), Health (15 per cent), Business, Professional Associations and Unions (2.5 per cent), Other (l 1.5 per cent).

Lyons (1999) similarly recognizes the positioning of business and professional associations in the non-profit sector. Drawing on a United Nations definition of the characteristics of non-profit organizations, the Australian Federal GovernmenVs Department of Communications, Information Technology and the Arts (DCITA, 2005) classifies business and professional associations as one of the six major organizational groupings making up the Australian non-profit sector. To date, empirical studies of strategic decision-making by non-profit boards have been relatively sparse (Cornforth and Edwards, 1999; Herzlinger, 1994; Inglis and Weaver, 2000; Leatherwood and O'Neal, 1996; Steane and Christie, 2001; Stone, 1991) with such studies more frequently undertaken in the private sector, though dominated by survey and interview methods (Dulewicz and Herbert, 1999; McNulty and Pettigrew, 1996; Pye, 2000, 2002; Zahra andPearce, 1990).

This paper investigates strategic discourse and decision-making from within the non-profit organization boardroom, aiming to get behind the screen of public image normally represented in both surveys and interviews. Utilizing complete member researcher (CMR) participant observation<sup>[1]</sup> of two professional association boards over a two year period, the study aims to explore boardroom strategic deliberations, orientations and behaviour. As will be outlined in the next section, survey and interview studies have thus far suggested a considerable divergence in the extent of boards' involvement in strategic decision-making, the forms that such involvement may take, and the factors influencing strategizing. Similarly the evidence concerning the balance of attention paid by directors to strategic versus compliance issues is mixed. Furthermore there is a paucity of evidence about the degree to which non-profit board strategizing may mirror private sector boards or exhibit unique features. Finally, there is no available evidence on the strategic behaviour of boards that direct branches of large national or multinational non-profit organizations. To this end, the study addresses the following questions:

- To what extent are strategies engaged from a commercial versus service orientation?
- To what degree is strategy formally developed, monitored and debated in the non-profit boardroom?
- How do non-profit directors distinguish between and balance their strategic and operational monitoring responsibilities?
- How do directors of state-based non-profit organizations strategically manage their strategic role in a national association?

In addressing these questions, the paper offers an inductively derived specification of their place in the boardroom strategic decision-making process and then reflects upon their characteristics both in relation to prior empirical studies of board behaviour and from an institutional theory perspective. In the tradition of a contextualized, processual view of strategy, it sets out to offer further theorizing and understanding of context, values, and discourse that are embedded in non-profit organization boardroom strategic decision-making processes (Pettigrew, 1987, 1997). This is addressed via a hitherto little used approach of actually observing what directors do and say in live settings, inducing key features of their routine strategic decision-making, and then comparing against what we thought we already knew from prior survey and interview studies. In doing so, it aims to discover elements of strategizing that identify points of commonality and difference from prior studies and provide a more detailed account of how it happens. Thus the paper attempts to provide further grounded evidence informing our assumptions and statements about how strategy is decided and managed at the highest levels of the non-profit organization.

The study traverses commercial versus service imperatives in directors' strategizing, the role of formal versus informal strategic planning systems and processes, the management of tensions between strategic and operational/compliance concerns, key characteristics of directors' informal strategic deliberations, isomorphic adoption of profit sector approaches, and decoupling between formal strategic planning systems and informal strategizing. In addition, the paper reflects on these boards' strategic management of their relationship with their national associations.

## **PROFILING THE STRATEGIC BOARD**

A variety of views regarding boards' contribution to strategy have been advanced (Dulewicz et al., 1995; Helmer, 1996; Zahra, 1990). Boards are generally regarded as responsible for overseeing corporate mission, objectives and strategic direction. Such boards have been referred to as strategic boards managing a governed Corporation and setting strategic context (O'Neal and Thomas, 1996; Pound, 1995; Stiles and Taylor, 2001; Treichler, 1995). Views are somewhat divided on the level of directors' involvement in strategy. Most writers and surveyed directors agree that boards have a legal obligation to review and monitor organizational strategy and outcomes, including advice to the CEO, approving strategies and progress monitoring (Goold, 1996; Helmer, 1996; Lorsch, 1995; Zahra, 1990). Some also call for directors' involvement in establishing organizational mission, values and strategic direction. This may range from senior management proposals being reviewed and approved, to the board's direct involvement in the formulation process (Gornforth, 2001; Davies, 1991; Ingley and Van der Walt, 2001; Zahra, 1990). This challenges the board to fulfil its strategic responsibilities without transgressing into management's role of strategic implementation (Helmer, 1996; Ingley and Van der Walt, 2001; Lorsch, 1995).

Studies of the relationship between board composition and strategy suggest that vertically integrated and related organizations tend to appoint top management with long tenure in the organization (Michel and Hambrick, 1992), and that board size and outsider membership of the board have varying impacts on strategic posture. Pearce and

Zahra (1992) found a negative association between outsider representation and concentration strategy, and a positive association between board size, outsider representation and growth/diversification strategies. Board size and board composition (including diversity and proportion of outsiders<sup>12)</sup> appear to impact the propensity towards strategic change (e.g. diverse membership restricting change but more outsider membership facilitating change) (Goodstein and Boeker, 1991; Goodstein et al., 1994; Wiersema and Bantel, 1992).

The extent of the board's involvement in strategic management has been found to range from deep involvement in detailed strategy formulation to simple review of management initiated strategy (Dulewicz et al., 1995). Chairs of UK listed company boards rate determining corporate vision, mission, operating and financial strategies as priority tasks (Dulewicz and Herbert, 1999). Zahra and Pearce's (1990) US study also reported board involvement in mission and strategy formulation. Thus UK and US evidence points to significant boardroom strategic planning (Dulewicz and Herbert, 1999; Johnson et al., 1996) although a New Zealand study revealed poor levels of boardroom strategizing (Ingle and Van der Walt, 2001). Reported boardroom involvement ranges from ratification of management initiated strategies (Garter, 2006; Certo et al., 2006; Gornforth and Edwards, 1999; Heracleous, 1999) to board committee involvement (Johnson et al., 1996). Stiles' (2001) study of UK public company directors' strategizing included evaluating business definition, setting strategic parameters, reviewing strategic proposals, monitoring strategic coherence, and reviewing consistency between proposed strategies. Thus the board's strategic contribution can range from defining 'what business we are in' to regulating strategic initiatives (Stiles and Taylor, 2001). Pye's (2002) study of large UK corporate directors found that across ten years they increasingly explained their work in terms of strategic focus and corporate governance. McNulty and Pettigrew's (1999) study of non-executive directors in large UK companies found that boards variously engaged in the strategy process through shaping the context of strategic debate; establishing strategic development methodology; influencing the preparation of strategic proposals; advising, encouraging and cautioning executives during proposal development; and accepting/rejecting strategic proposals as well as monitoring those authorized.

A range of factors has been found to influence the level of boards' involvement in strategic management. Where directors have a strong ownership stake in the organization, they tend towards greater involvement in strategy formulation and evaluation (Fried et al., 1998). Judge and Zeithaml (1992) found that board involvement in strategy was negatively related to level of organizational diversification, board size, and insider representation on the board, and was positively related to organizational age and financial performance. Board expertise and strategic involvement appear related (Zahra and Pearce, 1990), with directors possessing management, legal or marketing expertise being predisposed towards policy and strategy issues (Steane and Christie, 2001). Further reported influences on directors' strategic involvement include the meeting format and efficiency, the clarity of the board's understanding of its role and responsibilities, directors' time available, directors' and management's common view on how to pursue the corporate goals, dialogue among directors between meetings, changing corporate gov-

ernance norms, and the organization's performance history (Cornforth, 2001; McNulty and Pettigrew, 1999; Zahra and Pearce, 1990).

Boards can become preoccupied with routine operational and compliance rather than strategic issues (Cornforth and Edwards, 1999; Cowen and Osborne, 1993; Inglis and Weaver, 2000). For example, board meeting agendas can orient board meetings towards reviewing management issues rather than generating plans (Inglis and Weaver, 2000). Directors may also be consensus prone, and if they are outsiders, may be unfamiliar with organizational matters and reluctant to propose or challenge strategies (Pound, 1995). Ingle and Van der Walt (2001) identified director remuneration, benefits, statutory requirements and personal liability as orienting directors towards compliance and risk avoidance, to the detriment of strategic issues.

Compared to private sector corporations, non-profit organization boards often assume roles of both owners and the market (Herzlinger, 1994). Strategy in non-profit organizations can at times be an informally conducted, reactive process employed as a coping and buffering approach to environmental complexity and the demands of multiple stakeholders (Parker, 2001). Informal approaches to strategizing can be found in non-profit boards whose organizational mission is synonymous with the personal goals of members, or who are more inward than outward looking (Stone, 1991). A study of US corporate and non-profit boards found that the corporates attached more importance to their control and service responsibilities than strategy, while the non-profits attached most importance to service and strategy (Leatherwood and O'Neal, 1996). Steane and Christie's (2001) study of Australian non-profit boards similarly found that directors ranked strategic thinking as the most important skill they require but that non-profit directors maintained an interest in both strategic and operational issues (Steane and Christie, 2001). Cornforth and Edwards (1999) report that non-profit boards vary considerably in their contribution to organizational strategy driven by factors such as the system of organizational regulation, the sector's governance traditions, the organization's history, and director selection, skills and experience.

For non-profit boards, the relative emphasis upon strategic and compliance issues has been affected by both private sector philosophy and legislative requirements. Steane and Christie (2001, p. 48) argue that in Australia, non-profit boards 'are expected to mimic their corporate peers'. This, they contend, is a product of changes in legislation, and new funding configurations, pressuring non-profit boards to place more emphasis upon their compliance than their strategic responsibilities, as Leatherwood and O'Neal (1996) observed in US corporate boards. This observation has been echoed in the UK by Cornforth and Edwards (1999) who argue that non-profit boards' legal responsibilities produce a compliance role emphasis.

## **THROUGH AN INSTITUTIONAL LENS**

As with a number of board-level studies of strategy and corporate governance, this study is informed by institutional theory (e.g. Cornforth and Edwards, 1999; Fried et al, 1998; Judge and Zeithaml, 1992; Steane and Christie, 2001; Stone, 1991). The institutional perspective argues that organizations operating in similar environments tend to conform to prevailing beliefs, values and myths and move towards (i.e. institutionalize) homoge-

nous structures and processes. They seek legitimacy, support and funding from the social and business culture and from other organizations and constituents (Euske and Euske, 1991; Fogarty, 1996; Stone, 1991). This conforming tendency is enacted through coercive, mimetic and/or normative isomorphism. Organizations may adopt beliefs and practices in response to externally applied coercive pressures from organizations upon which they depend, such as laws and regulations applied by governments, or standards imposed by monopoly suppliers or buyers, or strategies imposed by dominant sponsors (Carmona et al., 1998; Carruthers, 1995; Cornforth and Edwards, 1999; DiMaggio and Powell, 1983; Fogarty, 1996; Steane and Christie, 2001). Mimetic isomorphism occurs when an organization replicates other organizations' beliefs, attributes, structures or processes. Rationales may include copying an apparently successful formula, following current fashions, adopting what others do as a risk avoidance mechanism, and accepting socially approved beliefs and practices. Normative isomorphism induces institutional conformity through commonly held professional norms and values transmitted through the shared disciplinary paradigms, networks, and professional education of organizational members (Carmona et al., 1998; Carruthers, 1995; Cornforth and Edwards, 1999; DiMaggio and Powell, 1983; Fogarty, 1996).

Formal strategic planning and budgeting processes can facilitate the institutionalization process, project an image of rationality and compliance with convention, reinforce an organization's efforts to produce cohesion, legitimize its behaviour via an appearance of rationality, and reduce ambiguity and uncertainty (Carmona et al., 1998; Euske and Euske, 1991; Judge and Zeithaml, 1992; Stone, 1991). This can present an image of an organization that is efficiently and rationally managed and help keep up appearances (Carruthers, 1995; Covalleski and Dirsmith, 1986; Fogarty, 1996; Greenwood et al., 2002; Kostova and Roth, 2002; Meyer and Rowan, 1977; Scapens, 1994). Meyer and Rowan (1977) have therefore claimed that formal organizational structure and processes can become decoupled from actual informal organizational structure and processes, becoming instead symbolic window dressing that presents a mythical and ceremonial image. This decoupling may assist the organization to avoid major internal conflicts, mobilize support from a broader range of constituents, and maintain flexible ways of responding to practical contingencies while outwardly and consistently presenting legitimizing formal processes (Carruthers, 1995; Covalleski et al., 1993; Meyer and Rowan, 1977).

Critics have argued that institutional theory adopts an overly deterministic theorization of organizational isomorphism focused on environmental norms and organizational history, thereby inadequately explaining organizational differences and the variety of forms of institutional change. Institutional theory is seen to pay insufficient attention to power and group interests, to have presumed the prevalence of decoupling, and to have provided limited insight into processes of institutionalization (Abernethy and Chua, 1996; Carruthers, 1995; Clegg, 1989; Cornforth and Edwards, 1999; Covalleski et al., 1993; Judge and Zeithaml, 1992; Perrow, 1986). Responses to these issues include recognition that multiple logics can be adopted by organizations that can lead to conflict, change and the co-existence of mutually supportive and conflicting practices (Cornforth and Edwards, 1999). Also possible, according to Oliver (1991) is a range of organizational resistance responses to the external environment that range across acquiescence, compromise, avoidance, defiance and manipulation. Rather than unconsciously con-

forming to societal or industry norms, organizations may consciously do this and their formal processes may include both decoupling and a reflection of actual organizational activities. Finally, understanding the process of (de)institutionalization is argued to require researchers' attention to the strategic concerns of powerful stakeholders in the organization (Abernethy and Ghua, 1996; Covaleski et al., 1993).

Regarding non-profit organizations it has been argued that performance measurement systems are frequently devised for both *ex ante* decision-making and *ex post* rationalization: budgeting systems constructed as rituals preserving the *status quo*, and strategic plans projecting a rational image and matching major stakeholder expectations (Garruthers, 1995; Covaleski and Dirsmith, 1986; Euske and Euske, 1991). Accordingly non-profit studies embracing an institutional perspective reveal planning processes that vary in response to their industry and government environments. Indeed non-profit boards may deal with institutional contradictions induced by conflicting external pressures by taking sometimes contradictory approaches to their role: sometimes mimicking the private sector's shareholder orientation or at other times adopting processes characteristic of a non-profit stakeholder orientation (Cornforth and Edwards, 1999; Steane and Christie, 2001; Stone, 1991).

Thus this study pays particular attention to the manner and extent of these non-profit boards' absorption of outside influences, the extent of institutionalization and ritualization of formal planning routines and the extent of decoupling between formal and informal processes. In addition it reflects on the balancing between private sector and non-profit sector cultures and motivations. These issues appear in focus through the exposition of empirical observations to follow, and in a reflection of findings against institutional theory elements towards the end of this paper.

## METHODOLOGICAL APPROACH

The survey questionnaire has dominated strategy and corporate governance research (e.g. Dulewicz and Herbert, 1999; Fried et al., 1998; Leatherwood and O'Neal, 1996; Steane and Christie, 2001; Zahra and Pearce, 1990) with qualitative methodologies largely represented by interviews of directors from multiple boards (e.g. Dulewicz et al., 1995; Kakabadse et al., 2001; Mackay and Sweeting, 2000; McNulty and Pettigrew, 1996; Pye, 2000). Some research has employed a combination of survey and interview based or textual analysis case studies (e.g. Ng and De Cock, 2002; Pettigrew and McNulty, 1998; Stiles, 2001; Stiles and Taylor, 2001).

Particularly rare are empirical studies employing participant observation of the boardroom. Clarke (1998) and Heracleous (1999) advocate penetrating the boardroom to longitudinally observe decision-making, group dynamics, and interpersonal relationships. Both recognize the challenge of securing access and maintaining confidentiality. Some examples include Peck's (1995) participant observer study of directors in a UK National Health Service Trust board, Cornforth and Edwards' (1999) study of four public and non-profit sector organizations' boards, Samra-Fredericks' (2000a, 2000b) study observing behavioural dynamics between directors and senior managers, and Parker's (2003) study of boardroom financial management strategizing in a community welfare organization.

In researching two large professional associations as parallel cases, this study employed CMR participant observer based longitudinal field research over a two year period. In doing so, this paper has adopted the CMR participant observer terminology and definition employed by Adler and Adler (1987, p. 67) who define CMRs as immersing themselves fully as natives in the groups they study, thereby relating to group members as equals, sharing in common objectives, experiences, and feelings. This definition has also been promulgated by Jørgensen (1989), Nason and Golding (1998), Glesne (1999), and Flick (2002) who argue for its ability to allow the researcher to achieve rapport and intimacy with the natives they study while occupying the dual roles of researcher and fully functioning native. Thus the researcher undertook the role of a fully fledged director of both associations, participating in board meetings and maintaining direct, in-depth, ongoing contact with directors and managers (Ferreira and Merchant, 1992).

Through this research strategy, such a complete level of site access facilitated experiencing and recording the full range of work and processes within the boardrooms (Adler and Adler, 1987; Dawson, 1997; Denzin, 1978; Snow and Thomas, 1994). It allowed immersion in the organizational culture, an insider view of boardroom decision processes, an inductive understanding of actors' perceptions and worldviews, access to informal interchanges (rather than simply to public disclosures), and longitudinal observation of strategizing processes (Adler and Adler, 1987; Dawson, 1997; Denzin, 1978; Hammersley and Atkinson, 1995). In these particular cases, the CMR approach afforded a number of advantages not obtainable through a passive/uninvolved observer strategy. First, access to these boardrooms would have been unobtainable for a passive observer. As a 'native' board member, the researcher was trusted even before requesting access as a CMR. Second, the CMR approach facilitated otherwise unobtainable access to informal director and management conversations before and after board meetings, to subcommittees, and to informal communications between board meetings. Third, the CMR approach allowed the researcher to experience personal involvement and accountability for boardroom decision-making. Thus directors' manifest activities, latent intentions and strategic decision contexts can be analysed and interpreted (Dawson, 1997; Pettigrew, 1997), portraying both institutional and actor levels of behaviour, relationships and understandings (Dawson, 1997; Scapens, 1990; Silverman, 1985; Walker, 1985; Werner and Schoepfle, 1987).

Of course as with any methodology, the CMR approach carries some risks and limitations. The researcher risks failing to fully embrace the world of the natives and only superficially penetrating their understandings, or of becoming so entrenched in the actors' world, that he is unable to resume the role of independent researcher. This is a challenge of balancing role immersion and role detachment. If either one overwhelms the other, then precious data or understandings may be lost (Adler and Adler, 1987; Glesne, 1999). Where the balance swings towards role immersion however, a compensation can be the additional scope and depth of data accessed and gathered. Nonetheless, some events can take place in the research site when the researcher is absent: a risk they can try to minimize but never completely eliminate (Flick, 2002). Role immersion also risks the researcher being drawn so deeply into the world of the actors, that they become uncomfortable or face decisions about changing their own personal values (Nason and Golding, 1998).

Where research site access is opportunistic, as occurred with this study, the researcher already had familiarity with and a role in the research setting. On one hand the risk of 'culture shock' in an unfamiliar world is greatly reduced but then the researcher must consciously work at developing their research role while aiming at 'fresh' research insights rather than resorting to intuitive interpretations as a pre-existing native. Role conflict can also occur when the researcher experiences a sense of dissonance between their researcher role and their 'native' role (Adler and Adler, 1987; Flick, 2002). Reflexivity must be applied to data collection and analysis, maintaining sensitivity to the researcher's prior background, education, beliefs and informing theories that may influence what they 'see' and interpret (Nason and Golding, 1998).

Having been a member of both association boards for more than a year, the researcher obtained approval for the simultaneous study of the two boardrooms, commencing immediately after both associations had (coincidentally) appointed new CEOs at the beginning of the financial year (Adler and Adler, 1987). Observations took place over two years, the researcher attending 80 per cent of board meetings, plus associated director/management subcommittees. These observations included participant observation during formal meetings, as well as participant observation and informal enquiries and clarifications during customary informal pre and post meeting discussions between board members. This observation period and the researcher's prior membership of these boards minimized observer-caused effects on other directors, allowed the generation of contextualized and extended parallel case studies, and moderated the risk of premature misinterpretations that can occur due to inadequate time spent at the research site (McKinnon, 1988; Mitchell, 2000).

The researcher took process notes during the course of all meetings, and reflection notes recorded within hours of each meeting's conclusion. Supplementary process notes were also made of informal conversations with directors and managers outside board meetings. Agendas, supporting agenda papers, meeting minutes, routine and ad hoc management reports to board, and annual reports were also collected as supplementary evidence. Comments by directors and the CEOs on the first draft paper were obtained, and the permission of both associations' boards to publicly release the paper was secured (Dawson, 1997; Fielding and Fielding, 1986; McKinnon, 1988).

Boardroom debates, decisions, behaviours and relationships were analysed with a view to identifying key relevant themes and developing associated categories. These themes and associated categories were developed inductively from observation and analysis of boardroom events, debates and decisions in their organizational, and socio-economic contexts (Ahrens and Dent, 1998; Pettigrew, 1997; Scapens, 1990). The researcher identified themes and coded related categories from process and reflection notes, meetings agenda papers and minutes, and other board meeting documentation. Categories' dimensions and potential relationships were developed through memo writing which reflected each event, discussion or behaviour identified and coded from the source data (Denzin, 1978; Fox-Wolfgramm, 1997; Parker and Roffey, 1997; Ryan and Bernard, 2000; Strauss and Corbin, 1990).

Memos were accumulated for each category in order to saturate the category's dimensions, contexts and meanings so that categories were supported by multiple observations, and their dimensions richly articulated. Saturation point was reached when

incremental memos on a category reinforced prior accumulated memos without providing any significant new dimensions or explanations (Ahrens and Dent, 1998; Fox-Wolfgramm, 1997; Glaser and Strauss, 1967; Silverman, 2000). Core categories were developed and refined via a comparative process in which coded data and associated memos written for a particular category were compared for their similarities and differences (Glaser and Strauss, 1967; Hammersley and Atkinson, 1995; Huberman and Miles, 1994; Silverman, 2000; Strauss and Corbin, 1990). From this analytical process emerged key themes that exhibited features of continuity, discontinuity and re-emergence (Hammersley and Atkinson, 1995).

The interpretations, explanations and theorization presented in this study result from a longitudinal, immersed CMR observation process and an inductive analysis of field data that synthesize the frames of reference of the researcher and the researched. From this deeply involved data collection process and induction of behaviours and relationships, an account of boardroom strategizing emerges that incorporates as well as transcends the understandings of the individual actors themselves (Llewellyn, 1993).

## ORGANIZATIONAL AND BOARD PROFILES

This paper reports on research conducted within the boardrooms of two Australian professional associations. Each state branch had its own board of directors subject to the oversight of a national board. Both associations had sizeable memberships and provided their members with a range of services as summarized in Table L. One state board for each of the two associations was subject to this research investigation. These two state branches each generated a total annual income and expenditure in excess of \$1m. Both maintained state office headquarters and had a board of directors elected by its own state membership, with the board having power to fill casual vacancies between elections.

Gamma association<sup>^</sup> operated as an autonomous unit, exercising control over its own revenues and expenditures but remitting an agreed annual financial contribution to the association's national office. Epsilon association<sup>[4]</sup> operated with a degree of autonomy but was subject to the national association's strategic directions and was answerable to the national office for its operational and budgetary outcomes. With respect to strategic discretion, Gamma had virtually complete strategic autonomy, subject to national constitution, rules and associated guidelines. Epsilon had a more limited scope of strategic discretion but still developed state level strategies in member services, government and business relations, publicity and promotion, and community service.

During the period of the study, the number of directors serving on Gamma's board fell from 12 to 9, while Epsilon's board membership rose from 11 to 13. Attendance at Gamma's board meetings averaged 69 per cent of serving directors, fluctuating between a low of 50 per cent and a high of 100 per cent. Epsilon's board meeting attendance averaged 77 per cent of serving directors and fluctuated between a low of 55 per cent and a high of 92 per cent. All voting directors on both boards were non-executive, being drawn from the association membership. The CEOs of both boards attended all meetings, participated in discussions, but did not vote. Other senior managers were occasionally invited to attend and report on a particular aspect of their functional responsibilities. Board membership of Gamma and Epsilon included a president, deputy president, and

Table I. Gamma and Epsilon compared

	<i>Gamma</i>	<i>Epsilon</i>
Annual expenditure	>\$1m	>\$1m
Member services	Continuing education Government lobbying Certification training Professional development training Professional forums National library access State newsletter Member subgroup networks Annual state conference Ethics advice Research sponsorship	Continuing education Government lobbying Certification training Professional development training Professional forums National library access State newsletter Member subgroup networks Annual state conference Ethics advice
Budget	Self controlled	National office controlled
Operational accountability	To self	To national office
State administration	CBD building and staff	CBD building and staff
Board composition targets	Gender, age, employment sector, professional expertise	Gender, age, employment sector, professional expertise
Board size	12 → 9 directors	11 → 13 directors
Average board attendance	69%	77%
Director expertise	Financial, legal, marketing, educational, consulting and general management	Financial, marketing, educational, consulting and general management

immediate past president, plus the other directors. In Gamma, there was also an honorary treasurer appointed from among the directors.

Board positions were filled through formally constituted election by association members and through the board filling of casual vacancies. Very few association members ever offered themselves for election to the board. Most board members stood for election for a second or further term and were successful in being re-elected in all cases during the study period. Thus in reality, each board conducted its own selection process for nominating candidates for election and for filling casual vacancies. With this degree of control over board composition, both boards adopted a strategic approach towards developing their desired profile. This included an increased representation of women and younger members and a balance between professional expertise, employment sector, age and gender representation. Both sought directors who offered financial, legal, marketing, educational, consulting and general management expertise.

In summary, both boards were responsible for membership based non-profit state-level organizations managing significant financial resources and ranges of activities. Each operated a professionally managed administration office in the state's central business district, with each board comprised of an eclectic mix of non-executive directors all of whom were association members. These two boards operated in a state that was classed as having a primarily small to medium sized enterprise economy, in a competitive

environment for business training and professional development. Directors of both boards exhibited values that included a commitment to maintaining financial viability, service to association members and contributing to their State's economic and business development.

## **BOARDROOM COMMERCIAL FOCUS**

Gamma exhibited a pronounced commercial focus over the period of the study. This included an organizational restructuring led by the CEO who argued that Gamma needed to move 'from an administration to a customer focused' organization and 'get managers off their desks and out selling'. He argued that the non-profit sector is 'in limbo between the profit and public sectors' and that private sector governance lessons should be imported into non-profit sector organizations. Gamma's directors embraced this philosophy, agreeing that effective non-profit organizations should be run as commercialized, professional operations. They felt that non-profit organizations are no longer defined by an absence of profit motive, but must generate profits for building capital and services to members whose subscriptions were insufficient for sustaining an organization like Gamma. They also argued that profits project the image of a strong organization, thereby encouraging members to retain their membership.

This strategy report is now a lean commercial business strategy that departs from the old non-profit model. (Gamma Director in board meeting)

The importation of private sector commercial imperatives was also evident in the language of boardroom discussions, including terms such as 'sales', 'clients', 'cross-functional sales teams', 'cross selling', 'pressing the flesh', 'sales/customer culture', and 'business units'. The terms 'profession' or 'professional' were rarely used except to imply the use of business-like practices. During this period the board changed the designation of members of the board from 'board members' to 'directors'. Thus while the commercial focus may have been promoted by the CEO, it was already implicitly being exhibited in directors' values, attitudes and language in the boardroom and therefore generated no debate.

This business plan is about getting managers out from behind their desks and out selling.

We've upped the ante on KPIs. They are based on last year's performance but set to stretch the organization. (Gamma CEO in board meeting)

The importation of a commercial philosophy from the private sector was not so evident in the Epsilon boardroom. This may have in part been the product of its being less autonomous (strategically and budgetarily) from its national office than Gamma. In contrast to Gamma board's focus on 'customers', Epsilon's board focused more on 'service to members'. Nevertheless, Epsilon's board also exhibited 'commercial' concerns, for example in its objecting to national office 'creaming off' budget surpluses, imposing 'a ridiculous excess profit target', and setting unrealistic 'stretch' targets for

branch management. This issue repeatedly ignited vigorous and impassioned discussion amongst directors who unanimously contended that state budget targets set by national office were unreasonable and unachievable. Their objections were driven by a concern for the impact on state office administrative staff and on the quality of services to state members.

Some commercial language such as 'adding value', Epsilon's 'brand', and 'KPIs' (key performance indicators) was employed, but less than in Gamma's boardroom. Epsilon's training courses evinced the most commercially oriented debate, but still directors were more focused upon meeting member needs than on profit generation, although the national office exhibited the opposite focus. In the course of discussing training, directors critiqued the organization's profit centre concept which they saw as encouraging populist technical topics, discouraging innovation in leading edge topics, and prohibiting 'loss leader' courses for minority member groups. The Epsilon directors frequently (and passionately) discussed this issue and were united in their critique of the national office commercial focus, and its potential dysfunctions.

Thus despite being formally identified as business/professional associations in the non-profit sector, to varying degrees, both boards exhibited strong commercial orientations in both underlying philosophy, decision orientation, financial results focus and language employed. These appeared to be imported via directors' personal backgrounds and the national organization's drive for profits. Later in this paper, the factors contributing to this orientation will be discussed further.

## **INFORMAL STRATEGIZING**

Having undergone a financial turnaround strategy prior to the period of this study, Gamma's board was being led towards a new strategic focus by its CEO. This took the shape of formal business plans built around KRAs (key result areas) and KPIs. However at no time did the directors participate in any review of the organization's mission, vision and long term objectives.<sup>51</sup> Nevertheless, the CEO repeatedly expressed his desire to focus directors' attention upon strategy and policy issues. A strategic focus was pursued via restructured board meeting agendas that prioritized major strategy issues early in meetings and focused upon KRAs and associated business plan components. Formal business planning and board meeting restructuring therefore appeared to induce a greater degree of informal strategic orientation in directors' deliberations. Directors' discussions of strategic issues were triggered by operational progress reports by the CEO or financial commentaries by the director/honorary treasurer, or through management or directors highlighting environmental changes. Issues ranged from opportunities for building revenue, to organizational restructuring, Information systems redesign, the inauguration of a state level conference and an upgraded form of member certification. Strategies that elicited significant boardroom attention and action were often championed by one or two directors, supported by the CEO.

Over the two year period, the balance of Gamma board meeting discussion focus shifted from routine operational issues to longer term strategic issues. The CEO repeatedly argued that management appreciated directors' strategic leadership which then gave management clear guidance for developing and implementing business plans.

We must address a number of festering issues that have not been dealt with in the past.  
(Gamma CEO in board meeting)

The board members now need to lift their sights above the short term bottom line.  
(Gamma CEO)

Being an autonomous state division within a national association, Gamma's boardroom strategic discussions primarily focused upon state issues. However national issues were raised via reports or proposals from national meetings of state CEOs and board chairs. Issues debated at national level included greater interstate co-operation, organizational restructuring, training programmes, and corporate consulting services. While always unanimous in their view of national issues, Gamma directors nonetheless at times discussed them at length and briefed their board chair or CEO to transmit their views to interstate and national colleagues. Representing a smaller state in membership numbers, Gamma's board commissioned its board chair and CEO to seek alliances with other smaller state divisions in pursuit of some interstate co-operative agreements and activities, particularly in the area of training. So Gamma board's political manoeuvring on national issues involved both formal representations to the national body and bypassing strategies. Invariably it retreated to focus on its own state market and membership development. On national issues the relationship between the board and the national body was somewhat distant and strained, while relationships inside the Gamma board were highly cohesive.

Epsilon's board exhibited both similarities with and differences from Gamma. In Epsilon's association, formal corporate level strategy was led at national office level, but in consultation with state branches (although the Epsilon board repeatedly complained of poor consultation). Strategy discussions on the Epsilon board rarely referenced the national strategic plan or Epsilon's business plan. Triggers for strategic discussions in the boardroom included presentations by visiting national office representatives and reports on national board agenda items from Epsilon board representatives on the national organization's board. They were also triggered by Epsilon directors or management tabling state or national level strategy proposals. Strategic issues attracting directors' attention included membership recruitment, services and training, organization image and profile, and intellectual capital. Notably, directors exhibited a strong informal strategic focus in their discussions. This tended to galvanize around key strategic issues as they arose and was often couched in strategic language such as 'mission', 'vision', 'core values', and 'strategies'.

Informal development, critique and monitoring of strategies were mostly reactively triggered, for example by some event or trend in the internal or external environment, directors' identification of potential spinoff/multiplier effects. Strategic discussions were stimulated by an issue resonating with directors' professional background and expertise, and primary interests, or their prior history within the association's committees. A director triggering the board's focus on a particular issue, oftentimes became a *defacto* self appointed champion of that issue. Examples of state level strategies emerging from this informal strategic discourse included:

- The development and implementation of a successful programme of state branch profile on local issues in the state media.
- Committees, forums and programmes for under-served groups of local association members.
- Development of relationships with the state's tertiary educational institutions

## NAVIGATING ORGANIZATIONAL POLITICS

Epsilon's board selectively focused on the championing or critiquing of national association strategies that it considered vital to the organization's future, pursuing state and national level strategic initiatives through informal boardroom discourse.

In presenting this national strategic plan, they've used smoke and mirrors . . . like driving a car and fixing it while it's going.

I'm appalled that everything outside (city name) has been left out of the consultation loop! (Epsilon directors in boardroom exchanges)

They launched ad hoc strategic initiative proposals for national level, or initiated state level strategies as a model for other states to follow, or presented vigorous critiques of specific ad hoc national strategy proposals. Examples included triggering the abandonment of a proposed national strategy, by highlighting key risks and a mismatch with association core values. They also identified shifts in the profiles of potential future members and in professional work being done by association members. This resulted in a national task force based in Epsilon's state developing national strategies for entry criteria, certification programme content, membership recruiting methods, and advertising. Epsilon board defined itself as a strategic innovator and leader and as a smaller membership state, 'punching outside of our weight'. This self-reflection was confirmed by the national board referring to the Epsilon board as a model of how national strategies could be developed and championed.

Thus these boards saw themselves as 'champions' of selected national strategies and the 'politics' of implementing them. They aimed to preserve their 'ownership' and 'leadership' of strategies they championed, politically navigating the array of stakeholders demanding a voice or involvement in the strategy.

## STRATEGIC ORIENTATION

Overall, boards exhibited commercial orientations with Gamma's being entirely self-generated and more pronounced, Epsilon's (still oscillating between commercial and member services orientations) being driven by a national office commercial culture. Gamma's strategic orientation was almost exclusively state focused, while Epsilon's board, reflecting greater centralization, monitored and responded to national strategies, simultaneously maintaining a primarily state-focused strategic orientation. In both boards, strategies were informally conceived and driven through director championing and boardroom discourse. However Gamma's CEO was often more directly involved in

board level strategy discussions and lobbying than Epsilon's CEO. Both boards exhibited palpable director values of collegiality, commitment to the association, high levels of mutual respect and courtesy, and a demonstrably high level of cohesiveness. Disagreements were mostly expressed with sensitivity towards other board members. This appeared to reflect both their professional membership of the organization and their volunteering to serve on these boards *pro bono*.

## STRATEGIC AND BUSINESS PLAN REVIEW

At the commencement of the study period, Gamma's newly appointed CEO foreshadowed a number of strategic reviews covering state-national governance, technology, building facilities, training and Consulting services. Resulting recommendations covering board and organization structure and processes, training and consulting services, joint ventures, professional qualifications, student recruitment, member services, website development, annual conference establishment, information technology and facilities upgrades, were presented to and approved with minimal discussion by a subsequent board meeting. Subsequently the CEO presented the resulting business plan in KRA format and on several occasions signalled the need for a strategic plan review to inform and evaluate management performance. Despite repeated agreements by the board to do this, at no time did it formally review mission, vision, objectives and longer term strategies. Thus the business plan became the Gamma board's only formal planning mechanism. The CEO presented reviews of the business plan on several occasions, eliciting minimal director discussion. Occasionally directors queried the ambitious number and level of targets being proposed ('This business plan involves a lot of work!'). The CEO's response was characterized by 'targets are based on the prior year's performance and are set to stretch the organization', 'we've upped the ante on KPIs', and 'managers are well aware of the challenge'.

Similarly Epsilon's board paid limited attention to any formalized review of strategic direction. Corporate level strategy was determined nationally with limited consultation of state branches. At the state level, the business plan was largely determined by national office. As with Gamma, this produced tensions between Epsilon's board and its national body. Examples included draft national and state level business plans presented to an Epsilon board meeting two months after the year's commencement. Epsilon directors were clearly unhappy with this 'cart before the horse' approach. Subsequently national office admitted that consultation on strategic planning with states was 'less than optimum'. Epsilon directors still expressed concerns at the lack of state boards' or CEOs' involvement envisaged in a proposed consultative process. Given this scenario, the Epsilon board rarely referenced or engaged with the national body's overall strategic plan, seeing itself divorced from its creation and the plan having limited impact on state issues. Nevertheless the board still achieved some occasional success in initiating, halting or amending national strategies. Overall, Epsilon directors were highly critical of the national organization's strategic planning process regarding it as 'cleverly presented' using 'smoke and mirrors', like 'driving a car and fixing it while it's going', and being 'appalled that everything (outside region X) has been left out of the consultation loop'. Epsilon's own business plan, including

progress reviews, was rarely discussed. Só strategic issue discussions were rarely triggered by any formal plan. Thus as in Gamma, Epsilon directors did not become involved in any formal strategic review process except as fringe participants in national level consultation.

Overall then, neither Gamma nor Epsilon's board conducted a formal review of its mission, objectives or strategies, and had variable impact on national level strategic plans. At the business plan level, Gamma's plan was driven by its CEO and largely accepted by the board, while Epsilon's business plan was driven by a national office unresponsive to its calls for consultation. Arguably, for neither organization's board, did formal strategic or business plans provide the driving force for the strategic issues addressed by directors. Such findings differ significantly from traditional textbook representations of strategic planning and control processes.

## **STRATEGIC MANAGEMENT OR MICRO-MANAGEMENT?**

Both organization boards grappled with the tension between focusing on strategic or micro-management issues: one consciously and the other unconsciously. The term 'micro-management' was repeatedly used by Gamma directors during boardroom discussions, referring to the board's risk of becoming preoccupied with detailed day-to-day operational issues that more properly belonged in the remit of management. Initially Gamma's board often engaged in detailed discussions of operational matters, but was influenced by the new CEO who aimed for a more strategically focused boardroom discourse, through a gradually restructured board meeting agenda and papers, the updating of the business plan, reporting via a framework of KRAs and associated KPIs, a six month pilot of bi-monthly rather than monthly board meetings (later discontinued), and discussions focused upon strategic innovation priorities. Gradually directors recognized the need to shift boardroom focus towards strategy and policy. They then strove for a balance between short term financial and operational control and longer term strategic and policy management. Increasingly directors themselves would identify a point in a discussion where they felt they had moved too far into micro-management and would refer the matter to management or a committee.

Unlike Gamma, Epsilon's directors did not recognize the tension between strategic and micro-management, slipping back and forth between strategy/policy issues and the micro-management of day-to-day operational issues. Whereas Gamma's CEO had employed a restructuring of the board meeting agenda in pursuit of a greater strategy and policy focus, Epsilon agendas remained primarily functionally structured and routine, with little reference to business plans, KRAs, or corporate level strategy. Thus Epsilon directors' strategic focus largely grew through their informal focus on strategic and policy issues over time. However the issue of balance between strategic and operational focus, or the risk of slipping into micro-management did not appear to be consciously considered or verbalized by Epsilon directors.

Thus both boards faced the challenge of the balance between their operational and strategic responsibilities and focus with directors straying to varying degrees into management^ detailed operational prerogatives. The slippage into micromanagement

appeared at least in part to reflect directors' dual role as members of their association and hence their familiarity with and commitment to its operations and processes.

## **PRIOR RESEARCH COMPARISONS**

A number of comparisons between the findings in this study and observations from prior research literature are pertinent here. As stated earlier in this paper, both boards were comprised of non-executive directors drawn from the membership of their association. They exhibited a propensity towards strategizing and innovation as has been suggested to be a characteristic of boards containing a high proportion of external directors and/or directors with an ownership stake in the organization (Fried et al., 1998; Goodstein and Boeker, 1991; Goodstein et al., 1994; Herzlinger, 1994; Wiersema and Bantel, 1992). However what this CMR study has revealed is a deeper understanding of the process through which these non-executive directors' strategic orientation is expressed, being enacted through an informal, Interactive, ad hoc dialogue rather than via a formal strategic planning and control system. This merits further comment shortly.

The observations of both boards' tendencies towards micromanagement are consistent with earlier studies that have identified a fine line between a board exercising its strategic responsibilities and transgressing into management's strategic implementation and operational/compliance prerogatives (Cornforth and Edwards, 1999; Cowen and Osborne, 1993; Helmer, 1996; Ingle and Van der Walt, 2001; Inglis and Weaver, 2000; Lorsch, 1995). Both boards exhibited ongoing attention to both operational and strategic issues with one moving over time towards a greater emphasis upon strategic matters. This dual concern with strategic and operational issues is also consistent with Steane and Christie's (2001) finding that non-profit organization directors maintain an interest in both strategic and operational issues. However the compliance role emphasis in these two association boards was not as great as suggested by the Leatherwood and O'Neal (1996) and Cornforth and Edwards (1999) studies.

As indicated earlier in this paper, prior research findings indicate a wide variety in the nature and degree of directors' strategic involvement, ranging from ratification of management presentations to direct involvement in formulation and development. In both cases studied here, board involvement was at the minimal end of the scale, with mission and objectives taken as a 'given' and occasionally referred to in general boardroom discussions. The closest these two boards came to review and ratification roles was in relation to the annually tabled business plan. These findings are at variance with results of studies such as Stiles and Taylor (2001) which found that boards appeared to focus their strategic attention predominantly on determining mission and values. On the other hand, this apparent absence of attention to mission and values belies a consistent informal level of attention paid to strategizing by both boards.

Consistent with Stiles and Taylor's (2001) findings that boards tend to take a stronger role in review and discussion of strategy (rather than its formulation), both boards did exhibit a pronounced strategic orientation by raising strategic issues, calling for management to present strategic proposals, offering feedback on strategic initiative presentations, and monitoring of strategic developments. This informal, ad hoc strategic orientation and championing of selected strategies is also consistent with McNulty

and Pettigrew's (1999) findings that boards engage in the strategy process through shaping the context of strategic debate, influencing the preparation of strategic proposals, advising management during the process of developing strategic proposals, and accepting or rejecting strategic proposals. It is also consistent with Stiles and Taylor's (2001, p. 49) findings that strategic contributions and outcomes reflected 'flashes of individual insights rather than outcomes of formal planning processes and methods' - an informal rather than formal process. All these forms of involvement were evident in the two boards studied and are also consistent with Parker's (2001) results indicating that non-profit organizations may informally conduct strategy as a coping and buffering approach to environmental complexity and demands of multiple stakeholders, and Stone's (1991) finding of non-profit boards' predisposition towards informal strategizing.

The informally generated and structured strategic deliberations in the boardroom serve to illustrate Inkpen and Choudhury's (1995) arguments that the apparent absence of formal strategy can indicate a range of strategic processes and outcomes that include transitional, constructive and symbolic approaches to strategizing. Just as they suggest, this study reveals strategy in the boardroom as including informally improvised, as well as reasoned and ritualized strategies. The extent to which strategic discussion and debate emerges as formal—informal and reasoned—ritualized is to some extent illuminated from an institutional theory perspective.

## **AN INSTITUTIONAL THEORY REFLECTION**

Boardroom strategizing observed in this study exhibits a number of institutional dimensions. Both professional association boards exhibited to varying degrees a commercial orientation conforming with conventional business customs via formal strategic plans, budgetary control systems, and informal commercial discourse. This was enacted through normative, mimetic, and in one board, coercive isomorphism. Normative isomorphism was present in the common educational background and business/professional profiles of board members. This reinforced mimetic isomorphism evident in the culture of these boardrooms. The equivalents of private sector company missions, visions, strategic plans, business plans and annual budgets were all documented in these associations, despite their limited use. However commercial imperatives were still primary drivers of much boardroom discussion and deliberation and even the language of debate reflected an importation of private sector commercial philosophies and terminology. Reflecting their predominantly business oriented backgrounds, directors imported this commercialism into the boardrooms consciously and unconsciously, but also quite often deliberately refrained from this tendency in favour of privileging a non-profit service philosophy. Coercive isomorphism was evident in the board subject to national business plan and budgetary control, as it gradually began to fall into line with the commercial philosophy demanded by its national office.

The commercial language employed represented coded prescriptions of these boards' social realities, serving as vehicles for representing directors' taken-for-granted beliefs in the importance of financial viability. Thus to elicit national organization approval and member support, they embodied their surrounding contemporary gov-

ernment, business and societal beliefs in 'user pays', public and non-profit sector commercialization, and financial self-sufficiency. For both boards, these represented keys to viability and growth which they regularly articulated as informal objectives, reflecting ideas and beliefs shaped by these directors' external environments and gradually legitimized. However, their persistent concern to serve their local state level membership and business community symbolized their proactive role in constructing and shaping their own rationalities, thereby creating rather than simply being granted legitimacy (Carruthers, 1995; Cornforth and Edwards, 1999; Euske and Euske, 1991; Greenwood et al., 2002). In this way, they consciously sought to balance commercial and service logics.

Formal strategic and business plans largely served a legitimizing role of matching the expectations of major stakeholders such as national board and membership in general. For both boards the formal strategic plan played no major role in boardroom strategizing but appeared to play a legitimizing ceremonial role of presenting the rational planning and control imagery expected of corporations in the private sector. With respect to the role of the business plan however, the messages are more mixed. For the managements of both organizations, the business plan represented an important vehicle for operational and financial target setting and strategic action implementation over an annual time horizon. However for the boards, these business plans only attracted sporadic attention, and therefore most likely largely fulfilled a 'comforting' role of reassuring the boards that appropriate formal mechanisms were in place for coping with ambiguity and reducing uncertainty in their complex and dynamic operating environments (Carruthers, 1995; Fogarty, 1996; Kostova and Roth, 2002; Scapens, 1994).

Actual strategizing within these two boards was nonetheless present, but only loosely coupled with the above formal strategic and business plans. While directors' attention to formal strategic and business plans was limited, both boards exhibited strong informal strategic orientations including the championing of strategies they perceived to be priorities, the regular evaluation of strategic proposals in financial resource and outcomes terms, close attention to politics, implementation and progress of championed strategies. Thus the formal strategic and business plans represented a largely disciplinary surveillance system constructed and maintained by management, and in the case of one organization, for exercise of ultimate financial power and control by the national organization. The decoupling of actual strategizing behaviour on these boards avoided strategic dysfunction at the state level, and enlisted directors' and senior managers' attention and effort towards areas of state operations related to organizational success and member satisfaction. Thus both formal strategic and business plans and informal discourse-based strategizing coexisted in a loosely coupled but positive relationship for these organizations (Carruthers, 1995; Covaleski et al., 1993).

Two other features of institutional theory are observable in this study. First, the boards' efforts at influencing national organizational strategies, while meeting with varying degrees of success, were notably persistent and diverse. They proposed national level strategies, modelled state level strategies for possible national level uptake and critiqued nationally proposed strategies, all with the intent of delivering strategic outcomes to their state members as well as benefits to the national organization. As Covaleski et al. (2003) have observed, this amounts to a process of

forging new institutional arrangements by exchanges aimed at hammering out new agreements that promote organizational survival and growth. It involves processes of negotiation and rhetoric, both of which were in evidence in the cases studied. While the boards' efforts met with varying degrees of success, as argued by Covaleski et al. (1993), they represented profoundly political tactics and exchanges aimed at shifting the balance of power in favour of agendas being pursued by the state boards.

Second, the above exchanges and negotiations between the state boards and their national organizations were marked by passionate debate, rhetoric and on occasions, tension. However, internally both boards exhibited high levels of coherence and cohesiveness, with relationships marked by a strong sense of collegiality and mutual support. Vigorous discussion, analysis and debate concerning strategic and other issues did not disturb or threaten this accord. In the manner outlined by Greenwood et al. (2002), such boardroom cohesion appeared to be socially constructed and encouraged by directors committed to developing among themselves shared understandings of their role and their state organization's desired future. This produced a pattern of discourse that was orderly, mutually respectful, and tended to produce general unanimity in their strategic decisions. Arguably, this assisted them in coping with multiple sources of ambiguity and uncertainty at both state and national levels.

From the foregoing empirical and theoretical analysis, a number of observations consistent with this paper's earlier outline of institutional theory criticisms can be advanced. These two boards and their organizations exhibit potentially contradictory but co-existing logics in the form of switching back and forth between commercial and service orientations. This is distinctive from a simplistic interpretation of institutional theory in two respects: first that a private sector commercial orientation is partially absorbed from outside these organizations while still retaining varying and changing levels of commitment to traditional non-profit service values and objectives, and second that the two cases examined differ in the extent to which this commercial isomorphism has occurred. In addition, the degree of decoupling between formal and informal strategic planning processes varies with the level of planning system. Thus in both cases the higher level strategic plans were largely decoupled from boardroom strategy deliberations, while the supporting business plans were more initiated by local management and treated by their boards as comforting and relevant to local strategic operations, but still not focal to boardroom deliberations. Thus arguably, decoupling appears more complex in that it may vary in extent and over time within the same planning process. Also exhibited in these cases is the importance of the role of power and politics in organizational strategizing, where the boards consciously pursued political critique and advocacy in seeking to influence their national organizations and to advance their own local strategic agendas. Indeed these cases exhibit high degrees of complexity in power relations and the exercising of organizational power: a feature requiring more attention from institutional theorists. The complexity is clearly indicated by such features as the multiple constituents served by the state boards, their directors being technically non-executive while at the same time being members of the associations, and the national versus state levels of strategic decision-making and accountability. In this scenario a greater degree of complexity than normally reflected in institutional theory analyses is

evident, with simultaneous conflict between state boards and their national level organizations, and general cohesion within the state boards.

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## IN CONCLUSION

This study offers unique further theoretical insights into the *process* of strategic decision-making embraced by two non-profit professional organization boards, part of an arguably unique economic and social sector in contemporary society that is under-represented in strategic management studies. As already noted, while having much in common, these two boards did have some distinctive characteristics, including differing degrees of autonomy within their national organizations, differing scope of control over their finances, and different CEO operating styles. Nevertheless their two state level boards exhibited strong commonalities in strategic orientation and process. Thus while statistical generalizability from two cases is properly not being claimed, nonetheless the evidence presented supports a deepening of our theoretical understanding of concepts, processes and relationships in boardroom strategizing. The primary theoretical contributions offered by this study relate to a deeper understanding and articulation of the strategic tension between commercial and service focus, the decoupling between formal and informal strategizing, political strategizing in large non-profit organizations, and the phenomenon of strategic versus micromanagement slippage.

These non-profit boards exhibited a variable but significant commercial orientation and profit motive that appears more prominent than hitherto recognized in prior research studies in this area. The commercial imperative and discourse appears to be imported via mimetic, normative and coercive isomorphism including pressures for organizational survival and growth, competitors for business related training delivery, and the unique positioning of directors as both members and de facto owners of the organizations. Thus more than previously recognized, these non-profit boards operate with commercial and service logics that coexist in tension, with directors' focus switching back and forth between them.

While formal strategic and business plans are in evidence, they appear to primarily serve management's needs and present a 'professional' business-like image to outside constituents (including members and sponsors). They are not a point of major focus within the boardroom. Instead, these non-profit directors opt for ad hoc, informal, interactively based strategizing, focused upon emerging opportunities and threats. In part, this appears to reflect the limited time they make available as unpaid volunteer directors, to their role. This appears to limit their availability for major formal strategic planning or review meetings and exercises. Instead, they opt to tackle their strategic responsibilities via informal, within-meetings, issue-driven strategizing. This study therefore finds that non-profit boards can accord formal strategic plans a legitimizing, ceremonial and comforting role while primarily conducting their strategizing via informal interactive discourse. However the extent of decoupling between the formal planning system and the informal strategic discourse may be more varied and complex than previously understood.

This study also provides hitherto unavailable insights into how boards shape and drive strategy via this interactive issue-driven approach. They include critiques of proposed

strategies, director initiated strategy proposals, championing of proposals over time, and through political tactics, manoeuvring and alliances. These processes in part reflect boards pursuing creative options for exercising influence when they represent a small constituency in a larger association, and their determination to seek more power within that association. This may reflect the complex structures, constituencies and array of decision-making consultation characteristic of large non-profit organizations. This study suggests that boards of strategic subunits within such organizations employ advocacy, critique, negotiation and rhetoric as vital tools and tactics in seeking influence within their wider organization. Strategy for these boards becomes more than a matter of operational and financial strategies at their level of operation. It extends to include political strategies aimed at shifting the balance of power more in their favour and influencing strategy and policy at both local and national levels.

As indicated in prior literature, this study too, finds non-profit directors switching back and forth between strategic and operational management concerns. However this study reveals that such switching can be either conscious or unconscious and represents an ongoing challenge. It also identifies clearer potential drivers for this behaviour pattern, being the small size of administrative and management staffs available for strategic and operational management at the state level, and directors' generally high levels of familiarity with operational issues and processes due to their other involvements as members of the association. Boards appear to vary in their explicit consciousness and deliberative management of this slippage and switching between strategic and operational 'micromanagement'.

Our knowledge of how strategy is developed and maintained at the organizational board level has been dominated by positivist research attempting to link board and senior management structures to strategic positioning and outcomes. Largely interview based qualitative research has begun to address the processes by which strategy is formed at board and senior management levels. However our knowledge of these processes remains elementary and is still confined largely to textbook prescriptions and assumptions and interviewee declarations. Participant observer studies of boardroom behaviour represent an essential step towards our developing deeper understandings of the complexities of strategizing processes and their drivers. This study suggests that in the non-profit sector, boardroom strategizing is a complex, dynamic and highly contextualized political phenomenon that we have only just begun to discern.

## NOTES

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- [1] This is defined as the researcher fully immersing himself as a native in the boards studied - relating to other directors as an equal, sharing in common objectives, experiences, and feelings.
- [2] It should be noted that the US and UK boards have historically differed somewhat with respect to the balance of executive versus non-executive directors, with UK boards historically having a lesser, but more recently increasing proportion of non-executive directors (McNulty and Pettigrew, 1999).
- [3] For confidentiality, this association has been designated 'Gamma'.

- [4] For confidentiality, this association has been designated 'Epsilon'.
- [5] This is explained further in the next section of the paper.
- [6] Refer also to a commentary by Bauerschmidt (1996) and reply by Inkpen (1996).

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