

**The Strategic Decision-Making Process of the Board
and its Impact on Decision Outcomes**

Final Thesis Review

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ABSTRACT

Associations have the capacity to transform society because every day they touch people's lives in meaningful ways. Association boards of directors have the tremendous responsibility of being the key decision-making body for their organizations. Too often they fail to deliver crucial decisions for consequential issues. How do association boards make high-quality, consequential decisions? This study, which spanned more than 3 years, produced a body of research that can help association chief executive officers (CEOs) and board presidents lead their boards toward making wise decisions. Key variables studied during the research project included decision consensus and decision quality, procedural justice, strategic attention, affective and cognitive conflict, and understanding. The findings showed that CEOs established criteria used to consider which issues to bring before their board and structured processes to help the board navigate debates regarding important issues. The study revealed that utilizing sound and fair processes allowed leaders to manage conflict while promoting members' understanding of the issue. The research also showed that the effects of both functional and dysfunctional conflict on decision consensus and decision quality ran counter to those asserted in the prevailing literature; the CEO's tenure affects the efficacy of boards depending on their size and their relationship with the CEO.

KEY WORDS

Conflict, Decision-Making, Decision Quality and Consensus, Procedural Justice, Strategic Attention, Board Size

INTRODUCTION

Why high-quality decision making in associations is important: Example 1

“People with persistent pain often think of themselves as suffering from a specific ailment, whether it’s arthritis, back pain, migraines, or something else. But anyone who has experienced pain for several months or longer happens to be among the millions of Americans with a condition known as chronic pain.” (Freeman, n.d.)

The American Pain Society is a multidisciplinary community of pain researchers that brings together a diverse group of scientists, clinicians, and other professionals to increase the knowledge of pain and alter clinical practice to reduce pain-related suffering (<http://www.ampainsoc.org/>). Making high-quality consequential decisions about pain research for pain-related suffering affects millions of lives and represents just one example of how associations can transform society.

Why is arriving at a high-quality, consequential decision important for an association’s board of directors? According to the American Society of Association Executives (ASAE is a nonprofit association of CEOs of professional societies and trade associations), associations have the power to transform society (ASAE, n.d.a). From improving the lives of those suffering from chronic pain to encouraging good sportsmanship among college athletes, associations help their members attain their goals. It is important that the boards of these organizations make high-quality, consequential decisions so that their members can continue to prosper and flourish professionally.

After surveying the field for the most pressing issues affecting its members, the American Pain Society (APS) concluded that proper administration of pain prevention and relief was not being consistently addressed in healthcare settings across America. Therefore, the board of directors of APS decided to tackle this tough issue and consequently created a new program—the Clinical Centers of Excellence in Pain Management program—which recognizes and rewards excellence

in quality clinical care. By approving and implementing this vital program, the board accomplished their goal of raising the bar for the administration of pain management across institutions nationwide.

The IRS defines an association, such as APS, as “a group of persons banded together for a specific purpose” and classifies associations as nonprofit organizations. With more than 86,054 trade and professional associations in the United States (ASAE, n.d.), nearly every man, woman, child, profession, and industry is represented by an association.

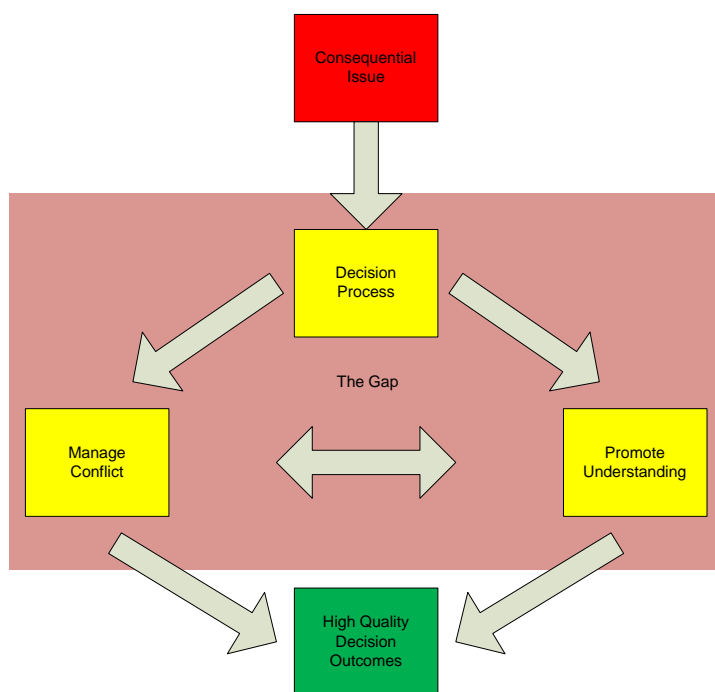
Because association boards are composed of professionals within the community they serve (direct stakeholders and either competitors or peers with little or no responsibility for implementation of decisions), the group decision-making model in the association community is unlike the corporate environment (where hierarchies are meaningful and often one person is ultimately accountable for a decision or action) and the general nonprofit community (in which directors often are not direct stakeholders and CEOs own the mission).

Nonprofit boards often struggle to focus on important issues (Carver, 1997; Taylor, 1996)—those that are considered game changers or could possibly move a profession or industry forward. Board members have limited time to devote to the strategic issues that confront their associations (Andringa, 2004). Therefore, it is essential they use their time productively by focusing on strategic decision making. To achieve this, boards must use a process that is deemed fair and helps them manage conflict and promote understanding to arrive at high-quality decisions. Nonprofit boards that focus on strategic issues and corporate groups that make decisions based on good processes with fair interaction among group members are well-

positioned to be more successful at making high-quality decisions than those that do not (Brown, 2005; Huse, 2007).

The current literature neglects decision processes, conflict, and decision quality for associations (see **Figure 1**). Because associations work differently than corporations (e.g., associations use committees or task forces to achieve consensus among peers), applying the existing research regarding how conflict impacts decision outcomes is not directly relatable to the association setting.

Figure 1. Decision-Making Literature Gap



Our research addresses the gap in literature around how association boards make high-quality, consequential decisions, adding the idea that decision outcomes driven by fair and sound processes can encourage good group dynamics to the dialogue.

This research adapts well-validated ideas from other settings, namely the corporate and nonprofit communities, and applies them to association governance. Borrowing ideas about the impact of conflict on decision outcomes in the corporate community, along with decision process variables from the nonprofit community, have allowed us to bridge the research gap on decision making in the association community.

The research started with evaluating the decision-making process: How do association boards make bold decisions? Bold decisions were considered to be “decisions that significantly advance the organization toward its mission while allowing the boards of directors to act as responsible stewards of the organization’s resources” (Engle, 2007, p. 4). Other key research questions included: How do association leaders identify which issues to bring before the board? How do these boards approach tackling big issues and making high-quality, consequential decisions?

To provide knowledge that can guide association leaders and governance researchers, this paper reviews key literature on boards and decision making in the corporate and nonprofit communities and provides an overview of the research approach (highlighting the qualitative study, which informed the quantitative study). It then presents findings from both studies, discussing how they influence the process of making high-quality, consequential decisions. Finally, the conclusions, limitations, and additional topics for further study are addressed.

A BODY OF KNOWLEDGE ON EFFECTIVE GROUP DECISION MAKING

Why high-quality decision making in associations is important: Example 2

“Providing dental health care to disadvantaged children and underserved populations has been an ongoing initiative of the American Dental Association for years as part of its effort to combat ‘the silent epidemic of untreated dental disease.’”(ASAE, n.d.b)

Making high-quality, consequential decisions on behalf of disadvantaged children and underserved populations affect millions of lives and represents another example of how associations can transform society.

The board is the apex of an organization’s strategic decision system (Fama & Jensen, 1983; Forbes & Milliken, 1999) and is therefore a key decision-making group. However, there has not been a great deal of research examining how boards actually work or how they make decisions (Leblanc, 2003). According to the behavioral theory of boards, when board members are considering and debating strategic issues they are guided by past experiences. They rely on general rules and lessons learned to inform information gathering and decision-making structures, procedures, and rules (Huse, 2007); these concepts come from the corporate literature. Building on behavioral theory of decision making (Huse), the literature review focused on the following key themes: decision criteria (how association leaders decide which issues are worthy of attention); decision processes (the routines and respectful consideration shown to all in the group); group dynamics (managing conflict and promoting understanding); and decision outcomes (which factors account for reaching consensus and making high-quality decisions).

To help remedy the deficit in research, the focus of this study was research processes and group dynamics in association decision making. Assessing the roles of affective and cognitive conflict and how they affect decision outcomes allowed for building on the existing corporate literature.

This research investigated Wooldridge and Floyd's (1989) claim that consensus reflects members' *understanding* of a strategic decision and commitment to it, which increases its chances for implementation because decision commitment (consensus) and decision quality are treated as dependent variables (Parayitam & Dooley, 2007). Although understanding is a well-researched construct and included in this work, this research investigates what produces such understanding, and in turn, decision consensus and quality.

The literature review looked at research in the nonprofit community and also examined seminal works by key authors on decision criteria and group dynamics for the decision-making process in the corporate setting. After reviewing the existing literature, it was determined that strategic attention and group dynamics and processes are all necessary components for helping association boards achieve high-quality, consequential decision making.

In addition to behavioral theory and the other traditional theories used for assessing nonprofit boards, Brown (2005) adds group decision process theories to the toolkit. Group decision process theories, which fall under the aegis of the garbage can theory, attend to *how* information is interpreted, managed, and channeled (Daft & Weick, 1984), *how* decisions are made, and *how* group members interact. The garbage can model, "where decisions are made based on streams of actors, arenas, questions, and solutions" (Huse, 2007, p. 146), indicates that requiring boards to adhere to routines or decision-making procedures encourages successful decision making (Huse).

Because association boards have limited time, capacity, and knowledge, the garbage can theory is a good fit for this decision-making environment. This theory, originated by Cohen, March, and Olsen (1972), proposes that anarchy or chaos is a built-in part of the process. "One can view a choice opportunity as a garbage can into which various kinds of problems and solutions are

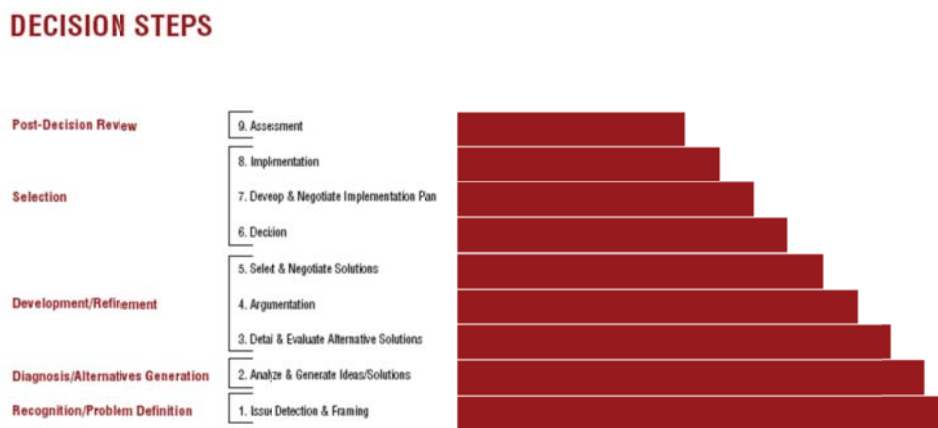
dumped by participants as they are generated” (Cohen, March, & Olsen, p. 2). One can visualize the garbage can as where problems, issues, and feelings that require a decision might be aired. According to Eisenhardt (1992), goals are unclear and shift over time, people often search for information and alternatives haphazardly and opportunistically, and decision makers often have other things on their minds. This theory works well with decision making because it is more personal, less linear, and more ad hoc and improvisational (Daft, 1984).

Decision Criteria. Board members should focus on advancing their organization’s mission and long-term welfare (Taylor, 1996). Therefore, boards should limit themselves to addressing strategic issues that are of high magnitude or high uncertainty or have significant political ramifications (Engle, 2011). To improve their effectiveness, boards should focus on consequential issues that are strategic (as opposed to operational) and on mission for the organization (Mintzberg et al., 1976). Papadakis and colleagues (1998) concurred and identified the following as contributors to the cognitive aspect of decision making: (1) magnitude of the decision, (2) uncertainty surrounding the decision, (3) amount of pressure anticipated by the participants, (4) frequency of the decision, (5) whether there was a threat or crisis point regarding the timeliness of the decision, and (6) how the decision emerged through the hierarchical structure of the organization (Coleman, 2007; Papadakis et al.). These decision factors provide a mechanism for ensuring boards consider issues that merit their attention.

Decision Processes. After determining which issues deserved board members’ attention, the literature regarding decision processes was reviewed with two contributing components identified: procedural justice and decision routines. The literature on decision processes focuses on steps and group dynamics. Among those writing on the subject, Mintzberg is an authority on

decision routines while Janis, Tyler and Blader, and others document group dynamics. **Figure 2** is a consolidation of Mintzberg and colleagues’ (1976) 25 decision processes that have been refined through Nutt (1984), Coleman (2007), and DeSanctis and Gallupe (1999). Building from Mintzberg and colleagues’ work, Hosking (1991), Judge and Zeithaml (1992), and others characterize decision-making processes in similar phases of issue identification and framing, development and selection, and implementation.

Figure 2: Decision Steps Model



Although the decision steps model depicts a linear model for how a board navigates the decision process, our research indicated that boards deliberating consequential issues actually navigate in a recursive pattern, similar to “taking two steps forward and one step back” (Engle, 2008).

Boards may loop through the process to step six only to hit a roadblock and return to step two.

Both the quality of the decision and board members’ commitment to that decision are important if the organization is to be well governed. Both of these aspects should benefit from routines that

permit the board to engage in additional data collection and analysis during stalemates, herein referred to as a looping process. Using such rational routines allows boards to explore an issue in-depth and engage in good debate while managing tensions so that their members can reach consensus and be committed to the ultimate decision.

According to Dean and Sharfman (1996), one of the most important aspects of the decision process is the collection of information relevant to the decision and the reliance on information analysis to make a choice; this is otherwise known as reaching consensus (Dean, 1996). When decision actors follow routines and apply learned rules of thumb, they avoid uncertainty and reduce a situation's complexity (Choo, 1996).

Although it is important that boards successfully navigate the decision-making process, referred herein as routines, doing so in a manner that is fair to all participants is critical to produce positive decision outcomes. Tyler and Blader (2000) identify procedural justice as the fairness of processes by which decisions are made as well as the fairness of how individuals are treated. Procedural justice research demonstrates that individuals can identify with an outcome with which they disagree if they assess the decision-making procedures to be just (Tyler & Balder, 2003). Tyler and Balder found considerable variation in the manner in which people treat one another in group settings. "They can act politely, rudely, respectfully, with hostility, and so on. These aspects of the interpersonal experience of a procedure—which occur in the context of an interaction whose overt purpose is to make a decision to allocate resources or resolve a conflict—may also influence those who are involved" (Tyler & Blader, 2003, p. 350). The relation of these constructs—procedural justice and decision routines—fit neatly into the decision process area of research; CEOs repeatedly commented on the routines they used to

navigate the decision-making process and the interpersonal relationships (as identified by Tyler and Blader) they relied upon.

Group Dynamics. The next area of literature review pertained to group dynamics and included managing conflict and promoting understanding. Although conflict in the corporate arena has been thoroughly researched and linked with decision quality, the nonprofit community has been overlooked. In the association community the consensus approach is highly valued in decision making (Engle, 2008); however, in the corporate environment decision making is a more linear (and thus hierarchical) process (Mintzberg et al., 1976).

In his study conducted at the U.S. Air Force Survival Training School, Torrance (1957) found that a willingness of individuals to disagree with the group improves a decision's accuracy because it increases the range of judgments being considered. Schweiger and colleagues (1989) reported that when groups make decisions, consensus creates a less combative environment than debate. Serially staging dissent and support is one approach to reconciling the contradiction that dissent should precede an actual decision but consensus building should ensue after the decision is made (Dooley & Fryxell, 1999). Dooley's position, however, is that instead of taking a serial approach, effective strategic decision-making teams are somehow able to synthesize the contradictory forces of dissent and consensus during the strategic decision-making process (Dooley & Fryxell).

Studies in corporate America regarding high-quality decision making have established the important roles conflict and trust play in this process (Amason, 1996; Dooley & Fryxell, 1999; Parayitam & Dooley, 2007). Parayitam and Dooley reported on two significant types of conflict that have performance implications: cognitive and affective. Their studies indicated that *affective*

conflict (personalized conflict that may reflect emotional and political factors) and *cognitive* conflict (conflict regarding conflicting perspectives and their application to the issue) have important and differing results on decision quality; effectively promoting cognitive conflict produced high-quality decisions. Eisenhardt (1989) concurred, noting that by openly expressing differing opinions and considering different alternatives during integrative decision-making processes, the quality of decisions improved. In contrast, affective conflict can deteriorate the shared understanding and consensus necessary for effective implementation of decisions (Parayitam & Dooley; Roberto, 2005). Cognitive conflict is classified as functional; affective conflict is classified as dysfunctional (Amason; Dooley & Fryxell; Parayitam & Dooley; Schweiger, Sandberg, & Ragan, 1986). By properly injecting a functional type of conflict into the decision process at the right time, boards can affect decision quality (Engle, 2011).

The construct *understanding*, which is a measure of the degree of consensus, was examined. Understanding means that managers have a common comprehension of the decision rationale (Amason, 1996; Roberto, 2004). In decision making, understanding and knowledge contribute to the selection of and commitment to an appropriate course of action. By managing its decision-making processes, an organization can have the necessary understanding and knowledge to act wisely and decisively (Roberto, 1996). If understanding drives high-quality, consequential decision making, boards need to encourage a greater degree of understanding and use tools that will facilitate this process.

Decision Outcomes. The final area of review dealt with decision outcomes, which includes decision quality and decision consensus (also known as decision commitment). Decision quality and decision consensus are key variables that have been extensively researched in corporate

environments (Amason, 1996; Dooley & Fryxell, 1999; Parayitam & Dooley, 2007). Wooldridge and Floyd (1989) assert that consensus reflects members' understanding of a strategic decision and commitment to it, increasing its chances for implementation.

Decision consensus was researched by Parayitam and Dooley (2007) who extended Amason and Schweiger's work on the subject. According to Amason and Schweiger (1994), a "team reaches consensus when its members have a thorough knowledge of and are committed to a particular decision" (p.241). In the corporate decision-making literature, Amason and Wooldridge and Floyd, among others, interchange the terms "decision commitment" and "consensus." To reach consensus and, therefore, decision commitment, Amason (1996) noted that more than simple agreement must be achieved; active cooperation of a team is also required.

Consensus can also be measured as a shared understanding of ends and means and should be recognized as a commitment to a strategy. It can be a process of decision making as well as an outcome (Wooldridge & Floyd, 1989). According to Priem (1990), achieving consensus involves encouraging participants to express their opinions fully during group decision making. Mintzberg and colleagues (1976) determined that it was important for a group to arrive at a consensus to ensure the decision was implemented. Thus, arriving at consensus is an important element of decision outcomes.

The ultimate goal for a board or organization is to strive for high-quality, consequential decisions. Eisenhardt (1992) found that groups, rather than individuals, produced better assumptions and arrived at better recommendations in decision making; however, the group's improved performance often came at the expense of satisfaction and overall decision acceptance. Amason (1996) reported that high-quality decisions are best realized "through critical and

investigative interaction processes in which team members identify, extract, and synthesize their perspectives to produce a decision” (p. 124). Dean and Sharfman (1996) define *strategic decision effectiveness* by whether the decision achieves management’s objectives at the time the decision was made. While evaluating board decision-making, Brown (2005) detected a direct link between a board’s strategic contributions and organizational performance, defined as better financial performance, operating at a net surplus, and perceptions of optimal organizational performance.

Carver maintained that “the failures of governance are not a problem of people, but of *process*,” (1997, p. xiv). This quote further illustrates just how crucial the decision-making process is for producing quality and appropriate decisions. This research evaluated how key variables such as decision processes, conflict, and understanding affect decision outcomes in associations, covering new investigational territory within the association community.

RESEARCH APPROACH

Why high-quality decision making in associations is important: Example 3

Recognizing college football players for their exemplary display of sportsmanship, both on and off the field, is meant to serve as an inspiration to young athletes everywhere. Encouraging young athletes to aspire to the highest levels of sportsmanship and athleticism is the prime motive for the Awards and Recognition Association's Sportsmanship Award. Making a high-quality, consequential decision to commit the resources to this bold program affects millions of lives and represents yet one example of how associations can transform society.

After identifying the initial gaps in the literature around decision criteria and steps, a qualitative study was conducted that looked at successful associations and how their boards made decisions. How decisions got made at the board level and whether the board was considering the right issues to begin with were assessed.

The results of this research phase led to a quantitative study that sought to measure how associations and their boards make high-quality strategic decisions. In addition to decision processes, particular attention was paid to decision quality and board members' decision commitment and how these vary with understanding and conflict.

The goal of the qualitative study was to specifically determine how professional societies' boards make decisions. The research included interviews, content analysis of publications, and a review of board meeting minutes, annual reports, and IRS 990 forms for each organization studied, resulting in iterative triangulation among literature review, interviews, and intuition (Lewis, 1998).

Fifteen leaders—seven CEOs (paid staff) and eight incoming, current, or past chairs (volunteers)—of seven U.S.-based nonprofit professional societies participated in this study. These seven organizations were identified as high-performing organizations (according to the 7 *Measures of Success* study conducted by ASAE and the Center for Association Leadership in August 2006) and ranged in size from approximately \$750,000 to slightly more than \$100 million in revenues, with an average of \$39 million.

At the start of each interview, participants were asked to identify and evaluate issues that had been brought before the board. Next, each participant was asked to critique a key decision that had been recently considered by the board, discussing who had made the decision and when and how it was made. For comparison purposes, both CEOs and board members of the same organization were asked to discuss the same decision.

In addition to the nearly 25 hours of interviews, board meeting minutes, and organizational materials (e.g., board resolutions, documents regarding members-only sections of websites, and various newsletters and other information available to board members) were used to compare various steps and iterations of the decision-making process.

Based on the results of the qualitative study, a quantitative survey of association CEOs (commonly holding titles of executive director or president) was used to study in-depth how association boards make high-quality, consequential decisions. The study was designed to fill a gap in knowledge by identifying and evaluating the decision processes and variables that affect decision quality and consensus among boards of associations. The research revealed the variables to be procedural justice and decision routines, as well as cognitive and affective

conflict. Similar to Dooley and Fryxell (1999), the unit of analysis was a decision that a board judged to be of strategic importance, meaning *consequential*.

The study's constructs included decision consensus, decision quality, understanding, cognitive conflict, affective conflict, procedural justice, and decision routines and were operationalized, wherever possible, by scales validated in prior research. An initial set of 79 items used to measure the constructs consisted of 42 items adapted from prior literature, 26 items based on methodology for scale development procedures that used measures suggested by DeVellis (2003), and 11 demographic or qualifying questions.

ASAE supported this research by providing access to 4,322 CEO members. Six hundred thirteen CEOs indicated their interest in participating. During a period of 8 weeks, 215 responses were received from the 613 CEOs. The response rate of those expressing interest in participating was exceedingly high (35%); it represents 5% of the CEO membership of ASAE.

Respondents were asked to assess their board's functioning with respect to an important decision that the board had recently addressed. The filter for selecting the decision used criteria outlined by Dean and Sharfman (1996) that were confirmed in the qualitative study (Engle, 2008). These criteria helped determine whether the decision was (1) strategic, affecting the overall direction of the organization; (2) sufficiently recent; (3) committing substantial resources, setting precedents, and creating waves of lesser decisions; (4) ill-structured, non-routine, and complex; or (5) substantial, unusual, and all-pervading.

Data and test hypotheses were analyzed using SPSS (PASW Statistics 17), exploratory factor analysis (EFA) and confirmatory factor analysis (CFA; Hair et al., 2010), and structural equation

modeling (SEM) using AMOS 17.0 (Byrne, 2010). EFA and CFA were used to establish the study's factors in preparation for exploring their relationships in a structural equation model.

FINDINGS

Why high-quality decision making in associations is important: Example 4

The institute of food technologists' vision is *to provide each and every person on the planet with access to a safe and abundant food supply*. When this board makes high-quality, consequential decisions, it impacts people everywhere and represents yet one example of how associations can transform society.

Four key findings emerged from the data during the qualitative study: (1) board CEOs and chairs recognized the filtering of issues as an important first step, identifying which issues should come before the board; (2) CEOs and chairs identified issues according to four key categories—reports and updates, board-obligated items, environmental scanning and strategic discussion, and seeking decisions and action items; (3) high-performing organizations' boards and staff successfully navigated through specific decisions steps; and (4) poor performance of these steps led to decisions that an association's members refused to approve. The poor performance involved three causes—emotional or political factors trumped the reliance on facts during the group decision-making process, decision makers did not have an opportunity to provide input into the final recommendation, and the schedule driving the decision put pressure on the time frame of the process.

Issue Filtering

One association CEO explained, "I think that a board has to understand their role so that they stay up at a board level or a strategic level or an oversight level as opposed to

dragging down into the details and administration and that sort of thing. I've seen a really good organization work at a very high level and then, with a few changes in leaders, all of a sudden they are on a totally, into-the-detail level, and they're missing the big picture; same smart people, just totally functioning in a different way" (Karen Nason, interview, July 2006). Without a reliable filtering mechanism to help boards focus on consequential issues, "...the realities of group decision making forever destine boards to be incompetent groups of competent people" (Carver, 1997, p. xiii).

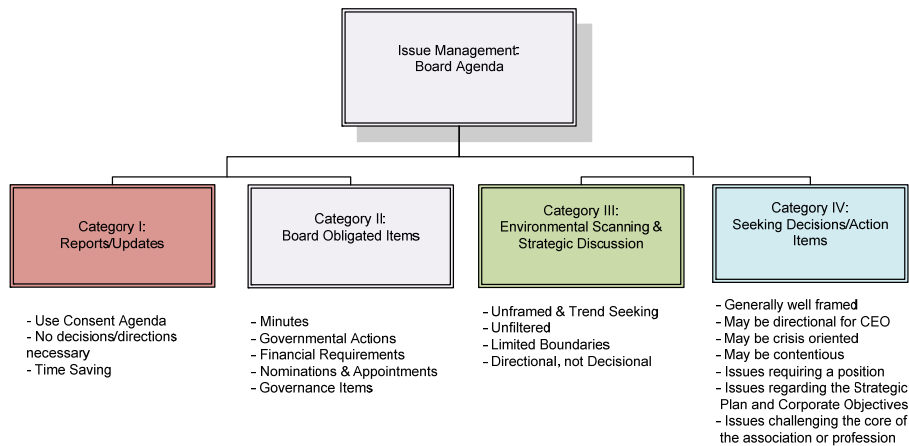
Identifying issues is the first step in the decision-making process. Determining which issues were consequential was generally based on meeting one or more of the six criteria identified by the interviewees during the qualitative research. The six criteria were (1) Was the issue strategic or operational? (2) Did the issue fit with the organization's mission? (3) Could the implications of the issue significantly affect the profession or association financially, image-wise, or in terms of purpose? (4) Were there political consequences to the issue? (5) Was the potential for failure or risk high? and (6) Was the issue precedent setting, course setting, or course changing? These criteria were consistent with the work of Dean and Sharfman (1996), Mintzberg and colleagues (1976), and Schwenk (1995).

Issue Allocation

After the issues were filtered, those that had survived were assigned to one of four categories. These categories make up the agenda items for board meetings (**Figure 3**). The categories included (1) reports and updates; (2) board-obligated issues, such as financial reports, approving minutes, and confirming appointments; (3) environmental scanning, strategic discussion, and

seeking decisions; and (4) issues requiring decision. The issues that fell into category four were the core focus for the quantitative research, which will be discussed later.

Figure 3: Issue Management: Board Agenda



Organizing board meeting agendas around the four established categories helped the CEOs of the high-performing professional societies we studied keep their boards focused on consequential issues when allocating board discussion time.

Decision Steps

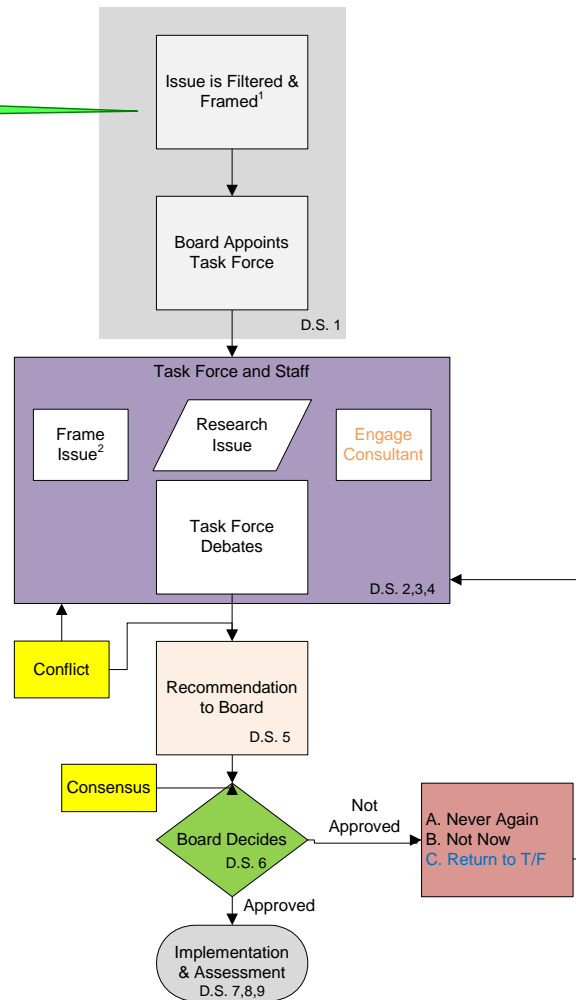
Of the seven organizations studied, all but two successfully navigated through specific decision steps by placing emphasis on issue framing and employing teams to research, generate, and debate potential alternatives and move issues forward toward approval of a recommendation (as depicted in **Figure 4**).

What surfaced during the qualitative study was that high-performing boards engaged in conflict at the committee level as opposed to the board level. When the board was made aware that the committee had properly vetted all options and challenged the assumptions inherent in their information gathering process, consensus was more readily reached by the board. Boards that successfully navigated the decision steps and arrived at consensus on a consequential issue had managed the conflict within the process.

Figure 4: Issue Map

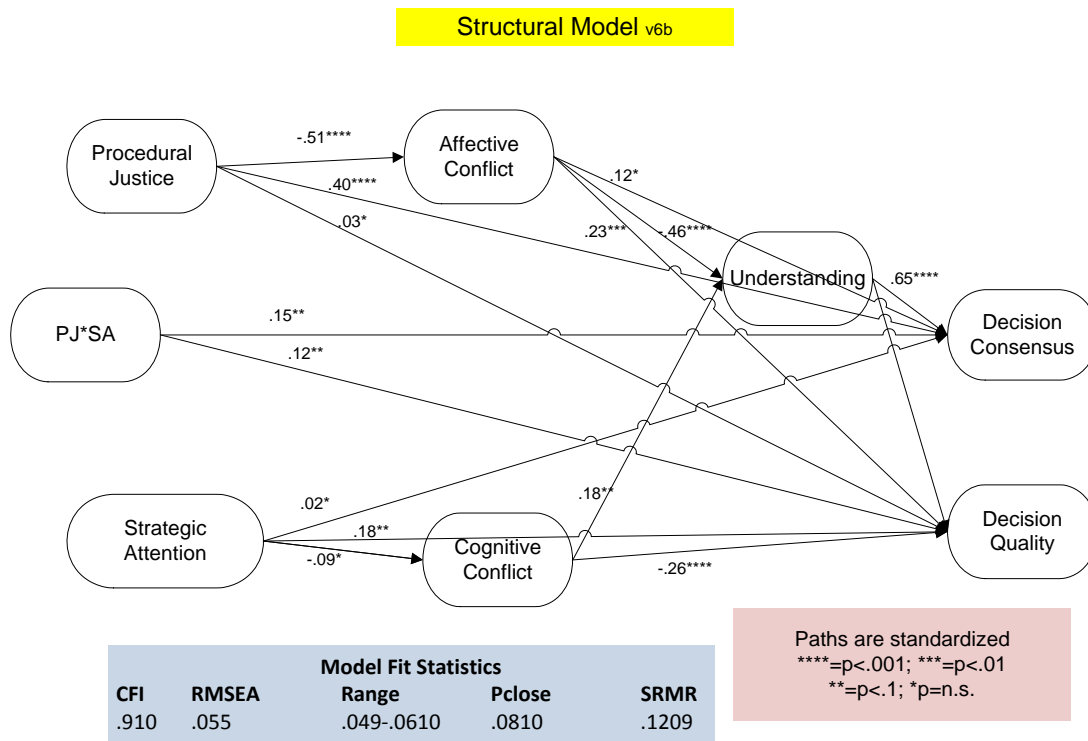
FILTER:
 Strategic vs Operational
 On Mission
 Magnitude: \$, image, impact
 on profession/association
 Potential Consequences
 Potential for Failure/Risk
 Precedent Setting
 Course Setting/Changing

Issue Map v.6



These findings helped narrow the focus of the quantitative study to the role of conflict and processes in pursuing important issues. The quantitative study measured the antecedents to decision outcomes (decision quality and consensus) as influenced by mediation in the constructs of conflict and understanding. Hypothesis testing was conducted through structural equation modeling using AMOS; the SEM analysis resulted in the final structural model (**Figure 5**). The analysis included moderation and mediation analysis.

Figure 5: Final Structural Model



Procedural justice was found to have a negative effect on affective conflict and a positive effect on decision consensus. In addition, decision routines (strategic attention) were shown to have a positive effect on decision quality.

There was support for partial mediation for affective conflict on procedural justice’s effect on decision consensus. Interaction effects of procedural justice and strategic attention were tested and the results indicated that higher levels of procedural justice and strategic attention amplify decision consensus at a much higher capacity than lower levels of strategic attention.

Also notable was the discovery that the interaction of procedural justice and strategic attention amplifies decision quality. Increased levels of procedural justice coupled with higher levels of strategic attention amplify decision quality; conversely, a lower level of strategic attention decreases the amplification of decision quality.

Revisiting the data and moderation for CEO tenure with the organization (CEOs with fewer than 3 years of tenure—newer CEOs—versus more than 3 years of tenure—experienced CEOs) resulted in significant and surprising findings. Convincing evidence was found that for newer CEOs, having small boards had a positive effect on decision quality; conversely, for experienced CEOs a large board had a positive effect on decision quality. In addition, for newer CEOs, a close CEO/board partnership had a positive effect on decision quality, while for experienced CEOs this close relationship had a negative effect on decision quality.

Table 1: Moderation with CEO Tenure

Path	CEO Tenure		<u>z-score for difference</u>
	< 3 Years	3+ Years	
Relationship ->Decision Quality	<u>Estimate</u> 0.593(ns)	<u>Estimate</u> -0.154(ns)	-1.750*
Board Size->Decision Quality	-0.183*	0.220***	2.883***

*** $p < 0.01$; ** $p < 0.05$; * $p < 0.10$; (ns) = not significant

DISCUSSION

Four key findings emerged from this research study: (1) sound decision processes support the allocation of proper board time on strategic issues; (2) skillfully managing group dynamics affects decision quality, but not as anticipated by corporate literature; (3) a model was revealed that supports achieving high-quality, consequential decision making; and (4) the tenure of the

CEO with their organization interacts in important ways with board size and CEO/board relationships to affect decision quality.

How do associations and their boards make high-quality strategic decisions? Grounded theory research conducted during the first two phases of this study indicated that high-performing associations used procedures for first selecting high-priority issues for board consideration and debate as a result of good decision processes. The qualitative findings identified *information filtering* as “a name used to describe a variety of processes involving the delivery of information to people who need it” (Belkin & Croft, 1992, p. 29). The filtering system was designed to handle unstructured information and help determine which information conformed to a format with well-defined meanings (Belkin & Croft), such as the six criteria used by CEOs (and confirmed primarily by Dean and Sharfman [1996]), to determine which issues moved forward for board consideration. These criteria were also used as the basis for determining the strategic issue analyzed during the quantitative part of the research for each of the 215 organizations studied. Interestingly, in analyzing nonresponse bias, two CEOs reported that their organizations had not recently debated a consequential issue, which leads to questioning the purpose or viability of those organizations.

The filtering mechanism identified during the qualitative study helped guide the allocation of proper board time spent on strategic issues, which was measured during the quantitative study as strategic attention. Not surprisingly, based on the interview results during the early stage of research, the quantitative research found that decision quality was higher among boards spending adequate time on strategic issues Using the filter to narrow down the issues boards should

consider encourages boards to spend more time and attention on strategic issues. Spending more time on strategic issues was found to positively affect decision quality.

Which group dynamics enable some boards to endure more tension than others? Findings from the qualitative phase suggest that high-performing boards handle impasses skillfully and are able to recognize when exploration and debate have become too conflictual to lead to consensus. At that point, they did not drop the issue; instead, they returned the issue to committee for further discussion or hired a consultant to support their information gathering. Taking ample time to ensure support of the recommendation was a common theme at this stage of the research. These findings—skillfully managing the tensions that resulted from intensive examination of the issue—were measured during the quantitative study as *conflict* and *understanding*. What we expected to find was that encouraging cognitive conflict and discouraging affective conflict would improve decision quality. However, the quantitative findings supported the opposite, indicating that there may be a point when too much conflict reduces the overall quality of the decision, and that debating the merits of the issue (cognitive conflict) may eventually lead to diminishing returns. What could cause decision makers to dismiss a task force recommendation despite being presented with a well-conceived and substantiated rationale? Referring to groups and their ability to interact and decide, Hosking and Morley (2004) noted that “...politics is essential to an understanding of the activities of organizing” and that each stage in the decision-making process poses cognitive and political problems (p. 75–76). This political dimension was evident in both organizations that failed to win approval of the task forces’ recommendations. Procedural justice was found to reduce the negative elements of group dynamics during the quantitative research phase (Engle, 2011). Promoting fairness in the decision process mitigated negative impacts of conflict.

Distinguishing between board and committee conflict was not a part of the quantitative work. However, the differentiation was repeatedly noted by CEOs and chairs; the importance of “airing out the debate” did not negate the importance of reaching near or total unanimity among board members for the final decision. The organizations studied in the qualitative research were able to reap the rewards of dialectical inquiry at the committee level, while achieving group consensus at the board level, which is consistent with what Bradshaw, Murray, and Wolpin (1992) found while conducting a similar study.

The quantitative phase of the research produced a model that indicated strong promise for using decision-making constructs as dependent variables in studies of nonprofit governance, particularly in the association community. Because the results were consistent with the view that boards are, first and foremost, charged with being decision-making bodies, researchers can and should use decision outcomes as measures of the effectiveness of nonprofit boards. The constructs of decision quality and decision commitment have proven valuable in studying strategic decision making in the for-profit sector. Their validation in this study confirms their utility for nonprofit governance contexts. Decision quality and decision commitment can also be used in research, not only as outcomes from decision-making processes, such as procedural justice and strategic attention, but also as more general measures of boards’ effectiveness.

Group decision processes combine decision routines and procedural justice, referred to herein as fairness, and were generally confirmed in both studies by the decision steps through which these organizations navigated. The findings indicated a mix of linear and nonlinear elements in the decision-making process. The application of the garbage can theory was most prevalent in teams (task forces and committees) because they are more ad hoc and improvisational (Daft & Weick,

1984). The mix of linear and nonlinear elements permitted the filtering and framing of issues to be emergent and responsive to political realities and, at the same time, rational, allowing for a reasonable discussion of issues to take place and helping to move selected issues ahead logically in an orderly and focused fashion.

In the qualitative study, organizations that successfully approved the board's or committee's recommendations felt no pressure to seek approval at a specific meeting and were willing, if necessary, to delay consideration of a recommendation until the next meeting to achieve approval. After re-examining the items that survived EFA and CFA during the quantitative study, *decision routines* was renamed *strategic attention* as the remaining items, incorporating routines and steps identified by Choo (1996) and Cohen (1996) meant to help focus boards' attention on strategic-level issues while navigating decision routines.

The new construct of strategic attention adds greatly to the decision quality advancement model because it positively affects decision quality and, when combined with procedural justice, the interaction amplifies both decision consensus and decision quality. Strategic attention can be useful for CEOs who are increasingly looking to adapt tools to help their boards focus more on strategic issues. This is the first quantitative study in the association community that substantiates the benefit of boards spending time on strategic issues. Armed with this data, CEOs should encourage their boards to allocate more of their precious time to dealing with consequential issues.

For CEOs of boards operating in the high strategic attention mode, focusing on procedural justice will significantly amplify effects on decision outcomes. It is important for boards

pursuing high-quality, consequential decisions to be aware of the compounding effect of high strategic attention coupled with high procedural justice.

CEOs and boards should focus on increasing the use of procedural justice in their board deliberations to positively affect decision consensus and decision quality and reduce affective conflict. Shoring up fair processes and respectful discussions helps boards achieve improved decision quality. The positive effect of affective conflict on decision consensus and decision quality, however, diverges from the literature and what was expected and requires further study. In addition, conflict at the committee level rather than the board level should be further examined.

The constructs of affective and cognitive conflict were also validated by the CEO respondents; however, their relationships were contrary to what was predicted. Interestingly, when cognitive conflict is introduced as a mediator, the impact on decision quality is negative, and when affective conflict is introduced, the impact is positive. This finding indicates that highly effective boards do not want to suffer conflict in board meetings so they off load the tensions to smaller groups, such as committees. Whether the conflict is affective or cognitive, it is important to advise boards to step back and continue to study the issue, which will help lead to greater understanding. The differentiation of these two types of conflict can help nonprofit leaders assess the relational practices in their governance settings; though the assumption that affective conflict is bad and cognitive conflict is good may obscure some of the more complex issues at play in association governance situations. Researchers can use the constructs to indicate different types of conflict; however, functional versus dysfunctional tensions in governance situations run

counter to those found in other contexts, requiring the reassessment of their application to the association decision-making setting.

In *Race for Relevance* (2011), Coerver and Byers advocate for a five-person governing board (not including the CEO), indicating that an association can be adequately governed by a small board. Our analysis indicated that decision quality improved when newer CEOs worked with smaller boards; however, decision quality improved when experienced CEOs worked with larger boards. Perhaps it is easier to challenge and guide a newer CEO in a small-group setting while larger boards are better equipped to challenge a more experienced CEO and improve decision quality. Advocating for a closer relationship between a board and a newer CEO should improve decision quality. In addition, having a newer CEO work with an executive committee or smaller-sized board should result in improved decision quality. If the two variables (board size and CEO/board relationship) are considered together in the case of a more seasoned CEO, a larger and more distant relationship should allow the board to challenge the experienced CEO, avoiding “autopilot” decision making and improving decision quality.

Although the construct of understanding was not a main focus of this research, the results indicated that boards and CEOs should aim to increase members’ understanding of key issues, and that doing so can be expected to produce significant improvements in decision consensus and decision quality. Understanding, as a construct, positively impacts decision outcomes, and increasing understanding (namely, increasing the board members’ understanding of the issues) should be an intermediate goal that CEOs should strive for. Both cognitive and affective conflict played significant roles in members’ understanding and decision outcomes. The concepts of understanding and procedural justice help us explain why high-performing boards succeeded

when using information-gathering procedures, such as sending the issue back to committee for further review.

CONCLUSIONS

Does decision theory help us understand how effective boards function? The results of this body of research are promising and should help illuminate the process of pursuing consequential issues. Key elements of the decision-making process were confirmed in the association setting. Although the decision steps all seem logical and rational, skillful, deliberate movement through the decision processes and routines are paramount for associations' success. Not only do associations have to navigate the decision steps, but they have to do it skillfully and with attention to conflict and understanding to have positive outcomes for decision quality. Boards and CEOs need to have freedom to use alternative sets of procedures that they can invoke, depending on how the issue is progressing through the process. This research indicates that CEOs can judge how the issue is progressing by using two criteria: how strong is the conflict over the issue and how fully do board members understand the issue?

This study's findings provide some guidance to nonprofit leaders. By agreeing on the filtering parameters for bringing forward consequential issues, boards can devote their limited time and energy (previously diverted to meaningless issues) to strategic issues. Properly presenting the agenda at a board meeting allows boards to manage the meeting more efficiently and helps secure approval for recommendations on key issues. High-performing boards are able to navigate through cognitive tensions (and even capitalize on them), which ensures that the team's recommendation is supported by the right information, that the board is ready to consider action, and that the factors that contribute to failure are minimized. The proper board size and the

intimacy of the board/CEO partnership should be determined based on the length of the CEO's tenure. Although it may not be practical for a newer CEO to reduce the size of the board, making effective use of an executive committee may result in similar effects and improve decision quality.

The validation of decision quality and decision commitment can also be used in practice as outcomes from decision-making processes, such as procedural justice and strategic attention. Boards can use the scales for measuring decision quality and commitment to self-assess, perhaps annually, their effectiveness in addressing the most consequential issues confronting them.

In summary, this research addressed how nonprofit associations made high-quality, consequential decisions. Analyzing the critical steps, factors, and criteria these organizations used helped us develop a structural model that analyzed how boards make high-quality, consequential decisions. Ultimately, the findings revealed that boards succeeded by managing conflict, decision processes, and promoting understanding.

LIMITATIONS

Several limitations of this study should be noted. The study's sample size was small (215 participants in the quantitative study and 7 in the qualitative study) and may not necessarily be representative of all associations in the United States. For the qualitative study, the sample was limited to organizations included in a single published list of high-performing professional societies, and the demographics of the study's interviewed participants were very similar (most participants had a great deal of professional experience and were middle-aged White males).

A more diversified sample may have produced different results. The sample size for the quantitative study comprised approximately 8% of associations having CEO members in ASAE and might not be generalizable to the general population of associations or nonprofit organizations. Also, the model was the result of a qualitative study of high-performing organizations; the quantitative study included associations at all levels of performance.

The quantitative study used self-reported measures and, therefore, may not accurately reflect the phenomenon of board decision making. Also, additional variables not included in the study could account for high-quality decisions. In addition, decision making during a threat or crisis situation may produce vastly different results.

FUTURE RESEARCH

It would be interesting to conduct additional field study in the board room to capture the interplay between conflict and decision quality. Future research is necessary to extend these findings and should focus on the role of both affective and cognitive conflict at board and committee levels.

The data available in this body of research open the door for further research in many areas. Gaining a better understanding about group dynamics, namely the application of affective and cognitive conflict, observed at each stage of the decision-making process could yield considerable benefits to associations. For instance, did organizations engage in both types of conflict at the board level and then move the issue to a committee or task force and engage in conflict at that level prior to bringing the issue back to the board for final consideration? After the recommendation was made to the board, was the time for conflict over, resulting in consensus? If, as discovered during the qualitative phase of this research, the decision-making

process is nonlinear, even recursive, when, how much, and how often is conflict interjected into the process?

This study has produced strong proof that previously validated constructs from decision-making literature are relevant to association governance. Hopefully, other researchers will adopt these constructs in their own studies and leaders in nonprofit governance settings will devote more attention to their decision-making processes and outcomes.

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