The Impact of CEO Tenure and Effective Board Performance on Organizational Change

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We investigated the impact of CEO tenure on non-profit organizational change with board performance as a mediator. Using data from a survey of CEO’s, we operationalized positive organizational change (POC) as activities such as developing a strategic plan and launching a major initiative or expansion. Negative organizational change (NOC) included actions like cutting staff and using reserves or endowment. Our findings show that CEO’s with less tenure enacted POC and that tenure had no impact on NOC. Further we found that board performance mediates the relationship between CEO tenure and both POC and NOC, supporting the need for effective boards.

INTRODUCTION

Long serving CEOs often are discussed in terms of their power and entrenchment (Haynes & Hillman, 2010) which may influence strategic organizational change (Golden & Zajac, 2001). Over time CEOs may become committed to the status quo believing that “the enduring correctness of current organizational strategies” (Hambrick, Geletkanycz & Fredrickson, 1993, 402) and, therefore, remain committed to past strategies (Datta, Guthrie & Rajagopalan, 2002). Gabarro (1987) determined that new CEOs have their greatest impact on organizational change within their first 2.5 years, with the number of changes declining with increased tenure. At the same time, effective performance of the strategic, oversight and monitoring roles of the board remain key to achieving and advancing organizational effectiveness (Brown, 2005; Green and Griesinger, 1996) even in changing times. These findings challenge us to deepen our understanding of organizational change by investigating the impact of CEO tenure and board performance on organizational change. In the present study, we examine the relationship between CEO tenure and organizational change, and the mediating effect of board performance on this relationship.

Miller (1991) found that CEOs with longer tenure tend to avoid strategic change even when it would benefit the organization. Miller attributed the correlation between CEO tenure and organizational change to the fact that CEOs (1) become extremely committed to their previously enacted strategic plans, (2) avoidance of information that disconfirms their plans, (3) having decreasing interest in their present jobs,
and (4) having the power that enables them to avoid demands for change (Hambrick and Fukutomi, 1991). Brown and Guo (2010) used CEO tenure as a proxy for CEO power and found that boards in which CEOs have greater power were less likely to talk about their monitoring and oversight functions. A powerful CEO can overwhelm the board (Boyd, 1994), quashing the board’s ability to exercise independent judgment (Dalton and Kesner, 1987) and reducing board effectiveness (Finkelstein and D’Aveni, 1994). Board performance has been documented to impact organizational effectiveness (e.g. Bradshaw, Murray, and Wolpin, 1992; Green and Griesinger, 1996; Jackson and Holland, 1998) and we anticipate that board performance will impact the ability of the organization to enact positive organizational change in U.S. nonprofit organizations.

To understand the antecedents of organizational change, we examine the impact of CEO tenure and board performance by asking the following research questions: What is the impact of CEO tenure on organizational change? What is the impact of board performance on organizational change? Does board performance mediate the relationship between CEO tenure and organizational change? The overall model investigated is presented in Figure 1. In the rest of this paper we develop the hypotheses, describe the methods used to test the hypotheses, and present the results. Finally, the implications of the findings are discussed.

![FIGURE 1
HYPOTHESESIZED MODEL](image)

**THEORY DEVELOPMENT AND HYPOTHESES**

**Positive and Negative Organizational Change**

Nonprofit organizations, like those in the government and private sectors, are continually evolving entities. However, unlike for-profit enterprises, nonprofits are more difficult to assess in terms of growth and impact. We examine two measures of nonprofit performance: positive organizational change and negative organizational change. Nonprofit success may be measured by the organization’s ability to experience positive organizational change as opposed to negative organizational change. Positive change suggests growth within the organization, for example in terms of expanding services, launching new
initiatives and programs, hiring key personnel, partnering with other organizations and improvements in financial status. Conversely, negative change is indicative of retrenchment in services and operations, loss of revenue, downsizing staff, financial instability, and cutting or freezing of staff salaries and benefits. While many factors may contribute to positive or negative organizational change, the literature often attributes organizational performance and growth to CEO tenure and effective board performance, each of which is discussed in more detail below.

The Relationship between CEO Tenure and Organizational Change

The relationship between the duration of executive tenure and organizational actions is well documented in the literature. Gabarro (1987) identified the inverse relationship between CEO tenure and organizational change with most change occurring within the very early years of tenure and declining thereafter. This phenomenon has been attributed to CEOs’ lack of desire to make further changes even if they are necessary (Miller, 1991). Finkelstein and Hambrick (1990) and Wiesema and Bantel (1992) found that the longer the CEO tenure, the greater avoidance of strategic change. Musteen, Barker, and Baeten (2006) found that CEO tenure was negatively associated with attitude toward change with strong moderating effects of dominant functional background, functional background diversity, and age. These authors identified that early in a CEO’s tenure they are likely to have stronger effects, however as tenure increases the attitude toward change becomes more conservative. This is consistent with Hambrick and Fukutomi’s (1991) findings that CEOs tend to gravitate over their tenure toward greater commitment to the organizational policies and attitudes, and adopt more conservative attitudes toward change.

CEO entrenchment may lead to CEO power over the board of directors, reducing board effectiveness by threatening the independent judgment of the board (Dalton and Kesner, 1987) or by allowing CEO preferences to dampen the effects of the board (Boyd, 1994). CEO power is defined as “the capacity of individual actors to exert their will” (Finkelstein, 1992, p. 506). A less powerful or dominant CEO enables directors to engage in more discussion and debate that allows more diverse viewpoints to surface (Zahara and Pearce, 1989). CEOs with greater tenure may become more attached to the status quo (Carpenter, 2000), committed to the strategies that they previously enacted in order to preserve organizational stability and the need to conform to industry norms (Datta, Guthrie and Rajagopalan, 2002).

Haynes and Hillman (2010) study of for-profit boards demonstrated the negative impact of powerful CEOs on board capital and on their lack of desire to make changes in organizational strategy which they likely had a role in crafting earlier in their tenure. The presence of a powerful CEO moderates the relationships between board capital and strategic change such that the powerful CEO will remain committed to the status quo and seek to fit in with industry norms. Hayes and Hillman concluded that when a CEO is powerful, he or she has a negative impact on strategic change, which may be due to the powerful CEO exerting undue power over an opposing board. Block and Rosenberg (2002), in their study of nonprofit founders, determined that organizational members felt that CEOs had the most influence—ability to sway votes and change opinion of others--during board meetings. This may be because in the majority of the organizations they surveyed the CEOs set the board meeting agendas. In light of this evidence suggesting the positive impact of CEOs on organizational growth and change in their early years as CEO, as well as their likely consolidation of power, entrenchment, commitment to the status quo and blockage of needed changes in their later years as CEO, we hypothesize:

\[ H1a: \text{CEO Tenure will be negatively associated with Positive Organizational Change.} \]

\[ H1b: \text{CEO Tenure will be positively associated with Negative Organizational Change.} \]

The board-CEO relationship is considered multi-faceted and complex (Hoyle and Cuskelly, 2003), “often characterized on many dimensions (e.g. frequency, status differential, trust, and communication patterns)” (Herman and Tulipana, 1989: 50). Effective board performance is dependent on the board-CEO
relationship (Carver, 1997) -- a delicate, subtle relationship “usually built up over a long time” (Houle, 1997, p. 97). Therefore, we hypothesize:

H1c: CEO Tenure will be positively associated with Board performance.

The Relationship Between Board Performance and Organizational Change

“Boards of nonprofit organizations are entrusted to oversee and ensure that the organization remains true to its mission, functions within the confines of state and federal laws, and operates in a financially responsible way” (Preston and Brown, 2004, p. 221). Board ‘best practices’, as identified extensively in the literature, suggest that boards have a formalized system of internal accountability (Gibelman, Gelman and Pollack, 1997), engage in ongoing strategic planning (Brown and Guo, 2010), share a common vision (Bradshaw et al., 1992), and provide sound financial management (Axelrod, 2005; see also Miller-Millesen, 2003). When boards engaged in policy formation, strategic planning, program monitoring, financial planning and control, resource development, board development, and dispute resolution a significant relationship between board performance and organizational effectiveness was observed (Green and Griesinger, 1996). In this study, we are using organizational performance as a proxy for measuring organizational change, where improvements in organizational performance (positive organizational change) or reductions in organizational performance (negative organizational change) are types of organizational change.

Organizations that are judged as higher performing reported having high-performing boards when the boards were more contextual, educational, interpersonal, and strategic (Brown, 2005). The link between board and organizational effectiveness in nonprofits was further established by Ostrower and Stone (2006) who identified four board traits (board composition, relationship between boards and staff, roles and responsibilities, and board effectiveness) that positively impact organizational effectiveness. In later research, Ostrower and Stone (2010, p. 902) note that “board roles influence board effectiveness, and that board effectiveness probably does contribute to general organizational effectiveness”. As well, the use of such practices positively influences the perception of board effectiveness (Bradshaw et al., 1992).

Effective execution of these board roles and responsibilities has been recognized as improving organizational performance (Herman and Renz, 2000; Bernstein, Buse, and Slatten, 2015). In summary, the literature demonstrates a significant relationship between board performance and nonprofit organizational effectiveness. Therefore, we hypothesize:

H2a: Board Performance will be positively associated with Positive Organizational Change.

H2b: Board Performance will be negatively associated with Negative Organizational Change.

The Mediating Role of Board Performance

As mentioned above Gabarro (1987), Miller (1991), Finklestein and Hambrick (1990), Wiesema and Bante (1992), and Musteen et al. (2006) found an inverse relationship between CEO tenure and organizational change. Yet, effective board performance positively impacts organizational performance and effectiveness (Brown, 2005; Green and Griesinger, 1996) as well as organizational change. We expect that the hypothesized negative relationship between CEO tenure and positive organizational change will be mitigated by controlling for board performance. Similarly, we expect that the hypothesized positive relationship between CEO tenure and negative organizational change will be mitigated by controlling for board performance. Hence:

H3a: Board performance mediates the relationship between CEO Tenure and Positive Organizational Change.

H3b: Board performance mediates the relationship between CEO Tenure on Negative Organizational Change.
METHODOLOGY

Sample
Data were obtained from BoardSource, a non-profit organization that focuses on improving the effectiveness of non-profit by strengthening boards (BoardSource, 2015). Since 1994, BoardSource has conducted a national survey of nonprofit chief executives and board chairs on their experiences in the boardroom. The survey is used by BoardSource to identify trends in board composition, policies, and practices. The data for this study comes from BoardSource’s 2014 survey “Leading with Intent: A National Index of Non Profit Board Practices”. We used completed survey responses from 696 CEO’s of non-profits located in the United States. Each of these non-profits raise funds as part of their mission. Overall, 67% of the CEO’s responding to the survey were women, with 59% being Caucasian women, and 29% Caucasian men. Fewer than 5% of the CEO’s are African-American, 2.4% Hispanic and 2% mixed race. Table 1 details the racial distribution of CEOs included in this study.

### TABLE 1
CEO RESPONDENTS RACE AND GENDER

<table>
<thead>
<tr>
<th>CEO Race</th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>American Indian or Alaska Native</td>
<td>1</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>African American/Black</td>
<td>8</td>
<td>22</td>
<td>30</td>
</tr>
<tr>
<td>Asian (includes Asian Indian, Chinese, Filipino, Japanese, Korean, Vietnamese, or other Asian)</td>
<td>3</td>
<td>6</td>
<td>9</td>
</tr>
<tr>
<td>Caucasian</td>
<td>204</td>
<td>413</td>
<td>617</td>
</tr>
<tr>
<td>Hispanic, Latino, or Spanish (includes Mexican, Mexican American, Chicano, Puerto Rican, Cuban, and other Hispanic, Latin, or Spanish origins)</td>
<td>7</td>
<td>10</td>
<td>17</td>
</tr>
<tr>
<td>Native Hawaiian or Pacific Islander</td>
<td>0</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Two or more races</td>
<td>2</td>
<td>13</td>
<td>15</td>
</tr>
<tr>
<td>Other, please specify</td>
<td>2</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td>Total</td>
<td>227</td>
<td>469</td>
<td>696</td>
</tr>
</tbody>
</table>

Almost half of the organizations had annual operating budgets between one and nine million dollars as shown in Table 2. Most of the organization were described as public charities (see Table 3).

### TABLE 2
ORGANIZATION’S ANNUAL OPERATING BUDGET

<table>
<thead>
<tr>
<th>Annual Operating Budget</th>
<th>Number of Organizations</th>
<th>Percent of Organizations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than $1 million</td>
<td>273</td>
<td>39%</td>
</tr>
<tr>
<td>$1 million to $9.9 million</td>
<td>331</td>
<td>48%</td>
</tr>
<tr>
<td>$10+ million</td>
<td>91</td>
<td>13%</td>
</tr>
<tr>
<td>Missing</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>695</td>
<td>100%</td>
</tr>
</tbody>
</table>
TABLE 3
ORGANIZATION TYPE

<table>
<thead>
<tr>
<th>Type of Organization</th>
<th>Number of Organizations</th>
<th>Percent of Organizations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public charity</td>
<td>609</td>
<td>87%</td>
</tr>
<tr>
<td>School/college/university</td>
<td>19</td>
<td>3%</td>
</tr>
<tr>
<td>Governmental agency</td>
<td>2</td>
<td>-</td>
</tr>
<tr>
<td>Association or professional society/trade association</td>
<td>29</td>
<td>4%</td>
</tr>
<tr>
<td>Foundation</td>
<td>34</td>
<td>5%</td>
</tr>
<tr>
<td>Other</td>
<td>3</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>696</strong></td>
<td>100%</td>
</tr>
</tbody>
</table>

Measures

CEO Tenure was measured in years. CEO’s in this study had tenure in their roles up to 36 years as shown in Table 4. One third of these had tenure of 5 years or less and fewer than 3% had more than 25 years.

TABLE 4
CEOS’ TENURE AND GENDER

<table>
<thead>
<tr>
<th>CEO Tenure (in Years)</th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to 5</td>
<td>73</td>
<td>160</td>
<td>233</td>
</tr>
<tr>
<td>6 to 10</td>
<td>69</td>
<td>149</td>
<td>218</td>
</tr>
<tr>
<td>11 to 15</td>
<td>44</td>
<td>88</td>
<td>132</td>
</tr>
<tr>
<td>16 to 20</td>
<td>19</td>
<td>28</td>
<td>47</td>
</tr>
<tr>
<td>21 to 25</td>
<td>11</td>
<td>23</td>
<td>34</td>
</tr>
<tr>
<td>26 to 30</td>
<td>6</td>
<td>7</td>
<td>13</td>
</tr>
<tr>
<td>31 to 35</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>More than 36</td>
<td>1</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Missing</td>
<td>3</td>
<td>11</td>
<td>14</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>227</strong></td>
<td><strong>469</strong></td>
<td><strong>696</strong></td>
</tr>
</tbody>
</table>

Board Performance was measured using nine items. CEO’s were asked to grade their board’s performance on performance aspects such as “Adopting and following a strategic plan”, “Fundraising” and “Level of commitment and involvement”. The Likert scale ranged from 1 = Fail to 5 = A. Appendix A provides all the items for this construct.

Organizational Change: CEOs were surveyed on the change their organization had experienced during the prior two years. We examined positive and negative organizational change by grouping together items that suggested negative impact to the organization and items that suggested positive impact. Positive organizational change included activities such as “Completed a new strategic plan” or “Launched a major initiative or expansion, e.g., new program, building”. Two additional items were used to assess positive organizational change: whether financial stability of the organization was better or much better than the previous year. Negative organizational change included “Cut staff”, “Dipped into
reserves or endowment” and “Financial stability—much worse than the previous year”. 87% of CEOs reported positive change and 59% reported negative change in the prior two years. Appendix A provides the construct items.

Analyses

To validate the scales an exploratory factor analysis was performed using SPSS for Windows (PASW Statistics GradPack 17.0, 2009). Next AMOS 17.0.2 was used for the structural equation model (SEM). SEM was chosen to examine a series of dependence relationships simultaneously. SEM is particularly useful in testing theories that contain multiple equations involving dependence relationships using multivariate analysis techniques (Hair Jr., Black, Babin, & Anderson, 2010).

RESULTS

The impact of CEO tenure and board performance were simultaneously examined to examine their effects on both positive and negative organization change. The means, standard deviations, reliabilities and correlation between the study variables are shown in Table 5.

TABLE 5
MEANS, STANDARD DEVIATIONS, CRONBACH’S ALPHAS AND CORRELATIONS FOR BOARDSOURCE DATA

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>SD</th>
<th>1</th>
<th>2</th>
<th>3</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Performance</td>
<td>3.427</td>
<td>.671</td>
<td>.888</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Positive Organizational Change</td>
<td>.363</td>
<td>.211</td>
<td>.116</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Negative Organizational Change</td>
<td>.173</td>
<td>.204</td>
<td>-.138</td>
<td>-.101</td>
<td></td>
</tr>
<tr>
<td>4. CEO Tenure</td>
<td>9.185</td>
<td>6.604</td>
<td>.168</td>
<td>-.138</td>
<td>-.046</td>
</tr>
</tbody>
</table>

Cronbach’s Alphas in bold on the diagonal

Analyses substantiated the validity, uni-dimensionality, and reliability of the measurement models corresponding to the model constructs. The reliability of each construct as measured by Cronbach’s α were all above 0.60 (Churchill, 1979) and are detailed in Table 5. The confirmatory factor analysis showed that the model had acceptable fit with n=696 where \( \chi^2=175 \), df=41, \( \chi^2/df=4.2 \), CFI=0.963, RMSEA=0.068. Convergent and discriminant validity was established using criteria from Hair et al. (2010).

Structural Equation Model

As shown in Figure 2, all hypotheses, with the exception of H1b, were supported in the structural equation model. CEO tenure was negatively associated with positive organizational change (supporting H1a), not associated with negative organizational change (not supporting H1b), and was positively associated with board performance (supporting H1c). Board performance was positively associated with positive organizational changes (supporting H2a) and negatively associated with negative organizational change (supporting H2b). Board performance partially mediated the relationship between CEO tenure and positive organizational change (supporting H3a). Board performance fully mediated the relationship...
between CEO tenure and negative organizational change (supporting H3b). Table 6 details the direct and indirect effects of CEO tenure on positive organizational change and negative organizational change.

**FIGURE 2**
UNSTANDARDIZED SOLUTION FOR POSITIVE & NEGATIVE ORGANIZATIONAL CHANGE

**TABLE 6**
DIRECT, INDIRECT AND TOTAL EFFECTS OF CEO TENURE

<table>
<thead>
<tr>
<th>CEO Tenure</th>
<th>Direct Effects</th>
<th>Indirect Effects</th>
<th>Total Effects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance</td>
<td>.016***</td>
<td>.000</td>
<td>.016***</td>
</tr>
<tr>
<td>Positive Organizational Change</td>
<td>-.005***</td>
<td>.001*</td>
<td>-.004**</td>
</tr>
<tr>
<td>Negative Organizational Change</td>
<td>.000</td>
<td>-.001*</td>
<td>-.001*</td>
</tr>
</tbody>
</table>

**DISCUSSION**

The study’s findings indicate that positive organizational change is impacted negatively by CEO tenure and positively by effective board performance. Negative organizational change is impacted negatively by effective board performance. Board performance, which is impacted positively by CEO tenure, partially mediates the negative impact of CEO tenure on positive organizational change and fully mediates the impact of CEO tenure on negative organizational change. In fact, the presence of effective board performance eradicates the negative impact of CEO tenure on positive organizational change.

The finding regarding the negative impact of CEO tenure on positive organizational change is consistent with previous research. Longer serving CEOs’ negative impact on positive organizational change may be due to their ability to assume power and entrench themselves as the leader of the organization (Haynes and Hillman, 2010). CEO tenure may lead to dominance over the board, negatively impacting the board’s independence and power (Dalton and Kesner, 1987). A powerful CEO may inhibit
board members from expressing their views (Zahara and Pearce, 1989), may become entrenched in his or her previously enacted programs and plans resulting in a status quo (Carpenter 2000) due to a commitment to past strategies (Datta et al., 2002) which limits the CEO’s ability to effect strategic change (Golden and Zajac, 2001).

Additionally, the finding that CEO tenure did not have a significant direct impact on negative organizational change is encouraging. Longer serving CEOs do not lead automatically to negative organizational results. Thus the study’s results do not point to an imperative to frequently turn over CEOs. The positive impact of CEO tenure on board performance is consistent with Houle’s (1997) finding that time is needed to develop subtle relationship necessary to maximize the CEO-Board relationship.

The results related to board performance (that effective board performance leads to greater positive organizational change and lesser negative organizational change) support the need for strong, effectively functioning boards. These findings suggest the importance of ensuring that board members have a clear understanding of their roles and responsibilities in order to function most effectively (Herman and Renz, 2000; Bernstein et al., 2015) including staying true to the organizational mission and vision, engaging in strategic planning, being internally accountable, providing legal/financial/ethical oversight, engaging in program monitoring, developing resources, undertaking community outreach, and fulfilling the other suggested “best practices” of effective boards.

The ability of effective boards to partially mediate the negative impact of CEO tenure on positive organizational change and fully mediate the impact of CEO tenure on negative organizational change are important findings that further support the need for high functioning boards. Consistent with agency theory (Jensen and Meckling, 1976; Carver, 1997; Hillman and Dalziel, 2003), boards that remain independent in functioning, develop ongoing strategic plans, provide strong guidance to the CEOs, and counter CEO power and dominance may overcome the negative impact of CEO tenure on positive organizational growth and transformation. According to agency theory, the role of the board is to provide organizational oversight and direction, and monitoring of the CEO. The board delegates to the CEO and management team the job of providing effective services, programs, and information on their behalf. This study supports the need for a highly effective board of directors that can counter the deleterious effects of CEO power and entrenchment.

**Implications for Future Research**

The present study investigated the relationships between CEO tenure and board performance on organizational change. It adds to the existing body of literature on nonprofit board and organizational performance. The findings of the study invite further research into the nature of boards and the specific factors that contribute to effective board performance. The use of the BSGI data highlights the value of using surveys to investigate relevant issues facing the nonprofit governance. Future use of these biannual surveys will enable tracking of board member practices and changes in board and organizational performance. The ability to add fundraising statistics or other measures of financial success would enable researchers to tie board member performance to actual financial data. This study was conducted using only CEO assessments; future research should involve the perspectives of board chairs so that potential comparisons of perspectives may be undertaken (see Bernstein, Buse & Bilimoria, 2014). Last, we suggest further analyses be conducted to provide more nuanced insights about the boundary conditions under which organizational change may be impacted by CEO tenure and board performance.

**Implications for Practice**

Practical implications for nonprofit leaders can be drawn from this study. In order for nonprofit organizations to serve their mission and influence society, they need to effect positive change. This study demonstrated the need for high levels of board performance in order to achieve these goals. This study extends the previously established link between nonprofit board performance and nonprofit organizational effectiveness (see Bradshaw et al., 1992; Chait, Chait, Holland and Taylor, 1991; Green and Griesinger,
1996; Herman and Renz, 1997; Herman, Renz, and Heimovics, 1996) to include the impact of effective board functioning on nonprofit organizational change.

This study’s findings, when examined in relation to the scope of board and organizational effectiveness, provide significant implications for board practices. This findings point to the need to focus more on board effectiveness, and less on CEO tenure, for improving organizational performance and engendering organization change. To enable board effectiveness, boards must pay careful attention to identifying and recruiting board members, ensure that new board members are made aware of their roles and responsibilities, hold a formal board orientation or on-boarding process (Bernstein et al., 2015), engage in on-going and comprehensive board undertake training to promote collaboration and engagement with other board members (Zimmermann and Stevens, 2008), and promote mentoring of new members by seasoned board members. These deliberate actions may ensure that the board is composed of well-informed members who understand and engage in their roles and responsibilities in order to maximize board performance.

This study’s finding with respect to CEO tenure pose a conundrum. CEO tenure negatively influenced positive organizational change but did not significantly influence negative organizational change. This does not refute Gabarro’s (1987) determination that new CEOs have their greatest impact on organizational change within their first 2.5 years and that the number of organizational changes declines with increased tenure, but suggests that the focus must be placed on the creation of effective boards. Given that CEO tenure does not lead to negative organizational outcomes there is no imperative that CEOs be replaced every few years in nonprofit organizations. However, more practically, the findings indicate that the board be cognizant of the need to remain independent of the CEO and not become subjugated by a powerful CEO with long tenure. We suggest that over the CEO’s tenure, the board maintain vigilance and a willingness to challenge the CEO and not settle for status quo, particularly as the length of time that the CEO is in the role increases.

REFERENCES


BoardSource. 2015. www.boardsource.org


*We thank BoardSource for providing the 2014 BoardSource Governance Index Survey.
## CONSTRUCT ITEMS

### CEO Tenure
How many years have you been the chief executive?
In years (with a range of 1-35)

### Board Performance
Grade your performance in the following areas using an academic grading scale (1 = Fail to 5 = A).
- Adopting and following a strategic plan
- Thinking strategically as a board
- Knowledge of your organization’s programs
- Fundraising
- Community building and outreach
- Understanding the board’s roles and responsibilities
- Level of commitment and involvement
- Monitoring legislative and regulatory issues that have the potential to impact the organization
- Increasing the diversity of the board

### Positive Organizational Change
What significant changes has your organization undergone during the past two years?
Select all that apply.
- Hired a new chief executive
- Completed a new strategic plan
- Launched a major initiative or expansion, e.g. new program, building
- Expanded operations or added services
- Created new staff positions
- Merged or combined in another way with one or more organizations

### Negative Organizational Change
What significant changes has your organization undergone during the past two years?
Select all that apply.
- Downsized operations or reduced services
- Cut staff
- Outsourced activities
- Drastically altered ways of delivery service or doing business
- Dipped into reserves or endowment
- Cut or froze salaries
- Dropped or diminished employee benefits
- Lost revenues due to diminished public funding

### How would you describe your organization’s financial stability?
- Financial stability - much better than the previous year
- Financial stability - better than the previous year
- Financial stability - worse than the previous year
- Financial stability - much worse than the previous year