ORIGINAL PAPER

The Governance of International Nongovernmental Organizations: How Funding and Volunteer Involvement Affect Board Nomination Modes and Stakeholder Representation in International Nongovernmental Organizations

Florian Rehli · Urs Peter Jäger

Published online: 16 September 2011 © International Society for Third-Sector Research and The John's Hopkins University 2011

Abstract The governance of civil society organizations (CSOs) is a crucial determinant of organizational legitimacy, accountability, and performance. International nongovernmental organizations (INGOs) are a subtype of CSOs and have received a lot of attention as actors in global governance. Research suggests that INGOs can follow a membership model, where the board is elected by the membership, or a board-managed model, where the board is appointed to represent major stakeholders. Following resource dependency theory, we argue that the choice between these two models depends on the INGOs different sources of funding and the degree of volunteer involvement: As donors and volunteers provide important resources, they are in turn granted the right to nominate board members or to sit on the board. In our quantitative study we show that individual members, regional member organizations, and governmental donors hold a stronger position in the governance of INGOs than philanthropists, foundations and volunteers. Our results inform research on CSO governance by highlighting the relevance of board nomination modes and by showing how CSOs can incorporate stakeholders into their governance mechanisms.

Deutsch Die Governance zivilgesellschaftlicher Organisationen übt einen entscheidenden Einfluss auf deren organisationale Legitimität, Accountability und Performanz aus. Internationale Nichtregierungsorganisationen (INGOs) sind ein Subtyp zivilgesellschaftlicher Organisationen und haben in ihrer Funktion als Akteure der Global Governance viel Aufmerksamkeit erhalten. Die Forschung beschreibt zwei unterschiedliche Modelle, nach denen ihre Governance strukturiert

F. Rehli (\subseteq)

University of St. Gallen, Holzstrasse 15c, 9010 St. Gallen, Switzerland

e-mail: florian.rehli@unisg.ch

U. P. Jäger

INCAE Business School, Alajuela, Costa Rica

e-mail: urs.jager@incae.edu



sein kann: In dem sogenannten "Membership Model" wählen die Mitglieder der Organisation das oberste Direktionsgremium (board) demokratisch. In dem sogenannten "Board-managed Model" hingegen werden die Mitglieder des obersten Direktionsgremiums benannt und so zusammengestellt, dass die wichtigsten Stakeholder repräsentiert sind. Unter Verwendung der Resource Dependence-Theorie argumentieren wir, dass die Wahl zwischen diesen beiden Modellen von den Finanzierungsquellen und dem Einbezug von Freiwilligenarbeit in der Organisation abhängt: Da Geldgeber und Freiwillige wichtige Ressourcen zur Verfügung stellen, wird ihnen im Gegenzug das Recht zugestanden, Mitglieder der Direktion zu wählen oder zu stellen. In unserer quantitativen Studie zeigen wir, dass individuelle Mitglieder, regionale Mitgliedsorganisationen und staatliche Geldgeber eine stärkere Rolle in der Governance von INGOs spielen als Philanthropen, Stiftungen und Freiwillige. Unsere Ergebnisse leisten einen wichtigen Beitrag zur Forschung zur Governance zivilgesellschaftlicher Organisationen, indem sie die Bedeutung von Nominierungsverfahren für das oberste Direktionsgremium hervorheben und aufzeigen, wie zivilgesellschaftliche Organisationen Stakeholder in ihre Governance integrieren können.

Keywords Civil society organizations · CSO governance · International nongovernmental organizations · Nonprofit boards · Resource dependency theory · Stakeholders

Introduction

The international growth and increased impact of civil society organizations (CSOs) has been one of the dominant and most striking features of world society over the past 20 years (Anheier and Themudo 2005; Boli 2006; Fisher 2003; Fowler 1997; Keck and Sikkink 1998; Lindenberg and Bryant 2001; Teegen et al. 2004). CSOs are collective, organized actors within civil society, often also referred to as nonprofit organizations (Teegen et al. 2004).

International nongovernmental organizations (INGOs) are a subtype of CSOs and have received a lot of attention as actors in global governance (Boli 2006; Martens 2002; Salamon 2003; Vakil 1997). Their responsibility as an actor in world politics has increased dramatically and hence the rise of global civil society has been characterized as a "global associational revolution" comparable to the earlier rise of the nation-state (Salamon 1997b). For example, as of September 2009 there were almost 2,400 INGOs with consultative status at the Economic and Social Council of the United Nations. In 1989 only approximately 900 INGOs had that status, in 1999, 10 years ago, only approximately 1,700 (Willets 2010).

This growth has been accompanied by a greater scrutiny of their performance and accountability (Brown 2008; Brown and Moore 2001; Dichter 1989; Ossewaarde et al. 2008). At the same time, INGOs face serious external challenges: resource scarcity, extremely volatile and challenging environments, a multitude of stakeholders with often diverging interests, and calls for an increased professionalization of the sector (Salm 1999). INGOs have answered these challenges



collectively and individually, for example, by drafting the "International Non-Governmental Organisations' Accountability Charter" (2005) and by adapting their global structures.

According to the widely used definition of Vakil (1997) INGOs are self-governing, private, not-for-profit, and have an explicit social mission. There is some discussion whether INGOs which work closely together with states or corporations—so-called government-organized, quasi-nongovernmental, and donor-organized INGOs—meet the criteria of being fully private and self-governing (Gordenker and Weiss 1995; Vakil 1997). According to Boli (2006), there are currently 6,000 to 7,000 fully transnational INGOs operating in a multitude of countries in addition to tens of thousands of transnationally oriented NGOs which are based in a single country but internationally active. Most INGOs are constituted as foundations or associations under national law. Some of them have individuals as members, some have national or regional organizations as members of the international central office, and some do not have members (Foreman 1999).

In their complex organizational structure the design of INGO governance stands at the core of their managing challenges. Their internal governance should provide a mechanism to ensure legitimacy, accountability, and effectiveness (Anheier 2005; Anheier and Themudo 2005; Foreman 1999). One crucial question in this regard is how INGOs deal with their stakeholders: Which stakeholders does the INGO not only deem important in its missions and activities, but also within its internal governance structures? For example, which stakeholders hold the right to vote for board members and which stakeholders actually sit on the board?

In fact, we know little about nomination modes and stakeholder representation within the boards of INGOs. This is an important gap in current research as INGOs, like other CSOs, do not have one formal owner, such as the shareholders of forprofit enterprises, but rather multiple owners such as donors and volunteers (Anheier 2005). Thus, their managers have "an almost unmatched degree of autonomy" (Glaeser 2003), so that these organizations require effective internal governance mechanisms for their supervision. Indeed, we find empirically that public scandals in the sector such as fraud, mismanagement, questionable fundraising practices, misappropriation and misspending of funds, and corruption "point to a clear problem of governance. Symptoms of governance failures suggested in the cases examined include failure to supervise operations, improper delegation of authority, neglect of assets, failure to ask the "right questions," lack of oversight of the executive director, failure to institute internal controls, absence of "checks and balances" in procedures and practices, and isolation of board members from staff, programs, and clients" (Gibelman and Gelman 2004).

In this context, board nomination modes and stakeholder representation constitute a crucial aspect of effective oversight and checks and balances: Democratically elected international boards enhance the internal accountability and external legitimacy of INGOs (Weidenbaum 2009). They allow organizational actors to execute so-called residual rights of control, for example, giving regional organizations the right to influence the mission and policies of the INGO and to take part in the oversight of executive directors. The nomination of major stakeholders



for the board in turn allows these stakeholders to directly supervise and influence the use of their resources.

In accordance with resource dependency theory and stakeholder theory (Freeman 1984; Pfeffer and Salancik 1978; Speckbacher 2008), we quantitatively test to what extent board nomination modes depend upon different types of funding and volunteer involvement. We examine two nomination modes: first, the nomination mode of membership organizations, where the board is elected by the organizational actors and members, and, second, of board-managed organizations, where the board is appointed by the most influential external stakeholders or where the board is self-selected or self-perpetuating (Enjolras 2009; Salamon 1997a). The choice between the two models has large implications for the governance of INGOs and the power of different stakeholders: In membership organizations authority and control ultimately rests with the members of the INGO. In board-managed organizations, governance relies much more on the integrity of the board members and on their accountability to the various internal and external stakeholders (Enjolras 2009).

We only study INGOs based in Switzerland because the regulatory and economic environment arguably has a strong impact on the governance of INGOs (Curbach 2003; DiMaggio and Anheier 1990). In line with the current literature, we argue that types of funding and the degree of volunteer involvement are the major determinants of board nomination and stakeholder representation because donors and volunteers constitute the primary stakeholders and therefore are granted residual rights of control such as the right to elect or nominate board members. Accordingly, we follow the research question: *To what extent do board nomination modes and stakeholder representation in international nongovernmental organizations depend on different types of funding and volunteer involvement?*

This paper is organized as follows: After a background section with a literature review and remarks on INGOs in Switzerland, we present the theoretical frame, methods, and empirical results of our study. In the last section we discuss our results, outline contributions to literature and practice, and give recommendations for further research.

Background

With some 1,000 INGOs, amongst them some of the most well-known and oldest worldwide (about 15% of all registered INGOs), e.g., the International Committee of the Red Cross or the World Wide Fund for Nature, Switzerland hosts a remarkably high number of INGOs in relation to its population size according to data from the Union of International Associations (Lee 2010; Smith and Wiest 2005; UIA 2010). Kriesi et al. (1995) find in a comparative study of Western European countries that Switzerland has by far the highest level of social mobilization. Nevertheless, to date no profile of the Swiss INGO sector exists.

Most INGOs—in Switzerland and elsewhere—have adopted global structures and their internal governance aims at achieving organizational legitimacy, accountability, and effectiveness (Foreman 1999). Arguably, the performance of INGO or CSO boards and the design of INGO or CSO governance is an important



determinant of organizational performance (Brown 2005; Herman and Renz 2000; Provan 1980; Siciliano 1996, 1997).

Nonetheless, the governance of INGOs arguably needs further systematic research (Lewis 1998, 2006). In a broad review based on interviews with the leaders of the world's largest INGOs, Lindenberg and Dobel (1999) conclude that a "special urgency exists in the need to explore models of governance of global NGOs" and this claim is still valid. The studies which deal with INGO governance yield important insights on how INGOs are organized globally, how they deal with their accountability and legitimacy challenges, and how they deal with their various stakeholders (Anheier and Themudo 2005; Brown 2008; Brown and Moore 2001; Foreman 1999; Hudson and Bielefeld 1997; Lewis 1998; Lindenberg and Bryant 2001; Lindenberg and Dobel 1999; Young 1992, 2001a, b; Young et al. 1999). Given these important studies and the existence of various theoretical models that deal with the governance of CSOs, the field is methodologically mature (Edmondson and McManus 2007). Nevertheless, past research in the field is mostly limited to qualitative, descriptive studies of different aspects of governance and structure and only very few quantitative empirical studies are available (Andrés-Alonso et al. 2006; Iecovich 2005a). Quantitative studies can yield important contributions to the field by providing an empirical overview of the sector which is equally valuable for practitioners and researchers, testing the hypotheses gained by the qualitative endeavors and by determining on which factors governance attributes depend in practice.

Like other CSOs, INGOs have a governing body and an executive body in the two-tier model (Siebart and Reichard 2004). Most Swiss INGOs are designed according to that model and are mostly constituted as associations or foundations (Jakob et al. 2009). Often the governing body is referred to as the advisory council, board of trustees or the board of directors. For reasons of simplification we will refer to it as the *board* in this paper. The Swiss NPO Code (2006) assigns both controlling and strategic tasks to the board. Typical tasks are to supervise and evaluate the executive directors, oversee program and budgetary matters, define the overall strategy, ensure that resources are used efficiently and appropriately, measure performance, and seek to maintain public trust (Anheier 2005; Hung 1998).

Authors agree that for INGOs "critical challenges develop from the need to remain accountable to a diverse and dispersed membership base, which poses crucial questions for internal democracy, accountability, effectiveness, and legitimacy" (Anheier and Themudo 2005, p. 186). This is particularly true for memberowned INGOs, where membership-based governance is "understood to be more democratic, more accountable, and more egalitarian, reflecting qualities within the organization that it advocates in society" (Anheier and Themudo 2005, p. 189) but also understood to be a cost- and complexity-generating feature.

Enjolras (2009) distinguishes between membership organizations and board-managed organizations. In membership organizations the annual general meeting of members elects a board to oversee organization management. In board-managed organizations, board members are usually appointed by external organizations or authorities (for example, governments) or are self-recruited and self-perpetuating.



The distinction between the membership organizations and the board-managed organizations is conceptual. We do not yet know which of these models are common in practice. As Iecovich (2005b) points out, two major theoretical perspectives yield contrasting recommendations on how board members should be nominated (see also Cornforth and Edwards 1999): According to the "democratic model", which maintains that the major role of governing boards is to represent the interests of various constituencies and groups, board members of INGOs should be elected by the members. This speaks in favor of the membership model. Democratically elected international boards are judged to enhance the internal accountability and legitimacy of INGOs (Weidenbaum 2009) allowing members to take part in the governance of the organization (Robinson and Shaw 2003). In contrast, according to stewardship theory (Davis et al. 1997; Muth and Donaldson 1998), board members should be selected (i.e., by the board) or appointed (i.e., by stakeholders or external organizations) based on their expertise, experience, and contacts that may help the organization achieve its goals. This speaks in favor of the board-managed model. A third model includes boards which represent national affiliates. Here, board members can either be elected or they can sit on the board automatically because of the organizational constitution that prescribes the inclusion of regional representatives.

Theoretical Model

In our study, we empirically validate the concepts of the membership organization and the board-managed organization and to what extent the implementation of these concepts depends on sources of funding and the degree of volunteer involvement. In accordance with resource dependency theory and stakeholder theory, we follow the hypothesis that INGOs choose a board nomination model according to their primary resource providers:

First, resource dependency theory views organizations as embedded in and interdependent with their environment (Hillman et al. 2009; Pfeffer and Salancik 1978). The survival and impact of an organization depends on external resources and the governance of an organization ensures that it acquires them. In this view, the main function of the board is to create links to the environment, acquire financial resources, obtain necessary information, maintain and develop good relations with external stakeholders, help the organization respond to external change, and enhance legitimacy (Pfeffer and Salancik 1978). The application of this theory is particularly fruitful since INGOs depend heavily on external funds, volunteer work, and public support (Miller-Millesen 2003).

Second, stakeholder theory assumes that organizations are accountable to a large set of institutions or actors (Freeman 1984). In order to ensure sustainable long-term performance, board members need to monitor and manage these relationships and ensure organizational responsiveness. Key roles of INGO boards are to represent key stakeholders, facilitate negotiation, resolve potential conflicting interests, and ensure that management acts in the interest of these stakeholders. Indeed, INGOs can be seen as being accountable to a wide range of stakeholders and therefore a



stakeholder perspective yields important insights. In their "Accountability Charter" (2005), the world's largest and most important INGOs describe the wide range of their stakeholders:

- "Peoples, including future generations, whose rights we seek to protect and advance:
- Ecosystems, which cannot speak for or defend themselves;
- Our members and supporters;
- Our staff and volunteers;
- Organisations and individuals that contribute finance, goods or services;
- Partner organisations, both governmental and non-governmental, with whom we work:
- Regulatory bodies whose agreement is required for our establishment and operations;
- Those whose policies, programmes or behavior we wish to influence;
- The media; and
- The general public."

The tremendous variety of stakeholders INGOs perceive clearly indicates that it is extremely difficult from an external but also from an internal point of view to define which groups constitute relevant stakeholders and what role they should play within the governance of an organization. A governance problem arises because in INGO-long-term-relationships the use of resources cannot be specified in advance. Internal governance then is interpreted as a mechanism that determines the position (in particular the bargaining power) of each stakeholder (Speckbacher 2008). The core question subsequently is: Which stakeholders should possess the residual rights of control and hence be the primary stakeholders?

Residual rights of control entail decision-making power in situations where there are no contractual or legal regulations, for example, when interpreting the mission or formulating the organizational objectives and strategies (Speckbacher 2008). The board of an INGO plays a crucial role when it comes to those functions and different board nomination modes give different stakeholders a different number of residual rights of control. Those people or groups who sit on the board can be regarded as primary stakeholders, but primary stakeholders may also opt to delegate management decision rights and control rights (Fama and Jensen 1983). In that case, those people who elect and nominate the board members can also be regarded as primary stakeholders. For example, members of an INGO who may elect the board clearly hold a more powerful position in the governance of an INGO than members who do not possess that right—even if they will not all be actual members of the board.

But how can we define which parties should be primary stakeholders to an organization? Speckbacher (2008) builds on Cornell and Shapiro (1987), who argue that a party is a stakeholder if that party (1) contributes specific resources, (2) creates values for the organization (that is, the investments promote the common objectives of the organization), and (3) has claims on the return from the investment which are incompletely specified by contracts and hence (at least partly) unprotected. Following that definition, donors and volunteers are the major stakeholders of INGOs (see Fig. 1).



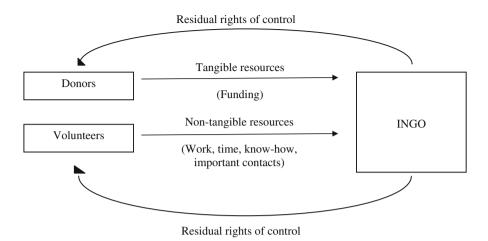


Fig. 1 Theoretical model

Donors such as individual members, national or regional member organizations which are part of the INGOs federal structure, philanthropists and individual donors donating smaller amounts of money, governments, or foundations provide financial, tangible resources. Volunteers provide non-tangible resources such as time, work, know-how, and important contacts. Theoretically, an INGO, in turn, provides donors and volunteers with residual rights of control such as the right to elect board members or even a seat on the board. In fact, scholars observe a rising pressure of (1) donors to justify the use of resources and to let them participate in the oversight and strategic management of the INGO (Anheier and Leat 2006; Salm 1999), and (2) volunteers that "donate" work time and knowledge to INGOs to be actively involved in the governance of the INGO (Jäger et al. 2008; Kreutzer and Jäger 2011).

Other stakeholders that INGOs name in their International Accountability Charter such as "peoples, including future generations, whose rights we seek to protect and advance; and Ecosystems, which cannot speak for or defend themselves" (INGO 2005) do not contribute specific resources and do not create value for the organization in the sense of resource dependency. Paid staff does not meet the third requirement of this definition: Even though they contribute specific resources and create value for the organization, their claims on the return from the investment are indeed specified as they receive a salary for their work.

Nevertheless, from a legitimacy point of view, it is perfectly reasonable and rational that INGOs consider these groups as stakeholders. Our argument nonetheless is that, from a resource dependency theory point of view, these actors and groups do not constitute primary stakeholders and therefore will not be granted with residual rights of control by the INGO.

We follow the previously introduced distinction between the membership organizations and the board-managed organizations. We thus hypothesize that INGOs which finance themselves primarily through membership fees have boards



which are democratically elected by the members (membership model). In turn, INGOs which finance themselves primarily through donations from government, foundations or philanthropists are nominated to represent these stakeholders (board-managed model). Here, the board members are either elected or appointed by the external stakeholders or the board is self-selected or self-perpetuating. INGOs which finance themselves primarily through contributions from regional or national member organizations, i.e., national affiliates, have boards which represent these organizations and are either elected by the general assembly or nominated by the member organizations directly.

H1a INGOs which finance themselves primarily through membership fees from individual members have boards elected democratically by a general assembly.

H1b INGOs which finance themselves primarily through donations have self-selected boards that are nominated to represent these stakeholders.

H1c INGOs which finance themselves primarily through contributions from regional member organizations have boards that are either elected or nominated to represent these member organizations.

We further assume that INGOs with a large percentage of volunteers choose different models of governance than INGOs whose work is primarily carried out by professionals (Kreutzer 2009; Kreutzer and Jäger 2011). We assume that those volunteers ask for rights of co-determination and for democratic governance mechanisms, thereby strengthening the membership model of INGO governance.

H2 INGOs which have a larger degree of volunteer involvement have boards elected democratically by a general assembly.

Method

Data were obtained through a standardized electronic questionnaire. We did not use secondary data for analysis for the following reasons: INGOs tend not to be very transparent when it comes to issues surrounding governance. Often, annual reports and information on board composition are not publicly available (Lloyd et al. 2008). Therefore, the coding of publicly available sources is not an option. Neither public registers nor other sources with a comprehensive set of data on INGOs in general and their governance in particular exist in Switzerland.

The electronic questionnaire was sent to all 924 INGOs registered in the Statistical Yearbook of the UIA which have their main headquarters in Switzerland. Within this population we find a huge variety of types of INGOs, encompassing large federations such as the International Olympic Committee, foundations such as the Kofi Annan Foundation, advocacy associations such as the World Wide Fund for Nature, International Relief Organizations such as the International Committee of the Red Cross, but also many smaller organizations active in very different fields. The UIA is the quasi-official source at the United Nations for INGOs and has been used for a large variety of studies in the field (Boli 2006; Keck and Sikkink 1998;



Lee 2010; Smith and Wiest 2005). Nevertheless, the dataset has not been used to study governance-related questions so far.

Data collection was carried out between June and August 2010. We received 249 responses, which equates to a return rate of 27%. With respect to a number of our questions the response rate was lower and the respective figures for *n* are described in our results.

Description of the Sample

Our sample reflects the large heterogeneity of the Swiss INGO Sector: Of the 249 organizations, 67% are constituted as associations, 16% as foundations, 1% as co-operatives and 16% report having a different legal form or no regular judicial status. Table 1 shows the percentage of INGOs being active in different fields of activity. The organizations are active in a variety of fields, with some focusing on education, research, and development cooperation. Some organizations report to be active in more than one field.

The organizations were founded between 1869 and 2006 and they report being active in a large variety of regions (see Table 2). Almost all INGOs are active in more than one region. Most of the INGOs are active in Western Europe, but the percentages also clearly show the large coverage of activities: Even in Oceania every forth INGO with headquarters in Switzerland is active.

On average, they are active in 45 countries. The organizations have up to 3,000 regional and national member organizations and report representing up to 1 billion individual members. They employ up to 600 full-time staff and enjoy the support of up to 100,000 volunteers. Their average annual budget is 4,760,000 Swiss Francs (3,650,000 Euro), ranging from 600 Swiss Francs (450 Euro) to more than 50 million Swiss Francs (28 million Euro).

With regard to governance, almost all INGOs in this sample have a central governing board, executive committee or board of directors which represents the

Table	1	Fields	οf	activity
Lable		1 ICIUS	OI	activity

Field of activity	Percentage
Education	28.45
Research	17.24
Development cooperation	15.95
Health care	13.36
Human rights and workers' rights	10.78
Business	8.19
Sports	7.33
Environment or animals	6.90
Culture or art	5.17
Human services/community improvement	4.74
International emergency relief	3.88
Religion	3.88
Consumer or citizen interests	2.59
Other	23.71





Table 2 Regions of activity	Regions of activity	Percentage
	Western Europe	55.82
	Central Eastern Europe and Russia	43.78
	Asia	40.56
	Africa	38.15
	South America	36.55
	North America	35.74
V = 249	Oceania	26.10

organization internationally (96%). On average, their boards have 10 members, held 3 board meetings in 2009, and are mostly comprised of outsiders, i.e., people who are not simultaneously employed by the organization. Nevertheless, in most of the cases the executive director or secretary general is a voting member of the board (53%).

Empirical Model and Statistical Techniques

The empirical model is summarized in Fig. 2. To test our hypothesis, we run linear regression analysis using PASW Statistics 18 (SPSS). We regressed both the predictor variables such as funding and volunteer involvement and the controlled

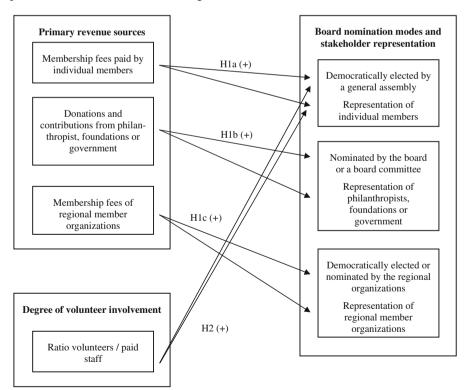


Fig. 2 Empirical model

Table 3 Variables

	Variables	Definition		
Nomination mode	Elected by individual members	Percentage of board members elected by the organization's individual members		
	Self-nomination	Percentage of board members elected by the board or a board committee		
	Elected by regional member organizations	Percentage of board members elected by the regional member organizations		
Stakeholder representation	Individual members	Percentage of board members representing individual members of the organization		
	Financial supporters	Percentage of board members representing financial supporters of the organization		
	Public sphere	Percentage of board members being representatives from the public sphere		
	Regional member organizations	Percentage of board members representing regional member organizations		
	Volunteers	Percentage of board members representing volunteers		
Funding	Individual members	Importance of fees and charges from individual members a a revenue source (1: 0%; 2: 1–9%; 3: 10–24%; 4: 25–49% 5: 50–74%; 6: 75–100%)		
	Donations individuals	Importance of donations from individuals as a revenue source (1: 0%; 2: 1–9%; 3: 10–24%; 4: 25–49%; 5: 50–74%; 6: 75–100%)		
	Foundations	Importance of grants, donations or contracts from foundations as a revenue source (1: 0%; 2: 1–9%; 3: 10–24%; 4: 25–49%; 5: 50–74%; 6: 75–100%)		
	Government	Importance of grants, donations or contracts from government or public agencies as a revenue source (1: 0%; 2: 1–9%; 3: 10–24%; 4: 25–49%; 5: 50–74%; 6: 75–100%)		
	Regional member organizations	Importance of fees and charges from regional organizations as a revenue source (1: 0%; 2: 1–9%; 3: 10–24%; 4: 25–49%; 5: 50–74%; 6: 75–100%)		
Volunteers	Worldwide	Number of volunteers worldwide		
	Headquarter	Number of volunteers at headquarters		
Control	Legal form			
variables	Foundation	1: Foundation; 0: No foundation		
	Association	1: Association; 0: No association		
	Age	Age of the organization		
	Size			
	Revenues	Total revenues of the organization		
	Individual members	Number individual members		
	Paid staff	Number of paid staff		
	Volunteers	Number of volunteers		



Table 3 continued

Variables	Definition
Field of activity	
Business	1: Active in the field of Business; 0: not active in the field of business
Development cooperation	1: Active in the field of development cooperation; 0: not active in the field of development cooperation
Education	1: Active in the field of education; 0: not active in the field of education
Environment or animals	1: Active in the field of environment or animals; 0: not active in the field of environment or animals
Health care	1: Active in the field of health care; 0: not active in the field of health care
Human rights and workers' rights	1: Active in the field of human rights and workers' rights; 0: not active in the field of human rights and workers' rights
International emergency relief	1: Active in the field of international emergency relief; 0: not active in the field of international emergency relief
Research	1: Active in the field of research; 0: not active in the field of research
Religion	1: Active in the field of religion; 0: not active in the field of religion
Sports	1: Active in the field of sports; 0: not active in the field of sports
Human services/ community improvement	1: Active in the field of human services/community improvement; 0: not active in the field of human services/community improvement
Culture or art	1: Active in the field of culture or art; 0: not active in the field of culture or art
Consumer or citizen interests	1: Active in the field of consumer or citizen interests; 0: not active in the field of consumer or citizen interests

variables on the dependent variables within one model. That way, the significance of our predictor variables is controlled for the variance regarding factors such as size and field of activity.

In the questionnaire, with respect to the dependent variables, we asked the organizations to indicate the number of board members nominated through a certain mode such as, for example, a democratic election by the organization's individual members and also how many board members represented certain stakeholders such as, for example, important donors. With regard to the independent variables, we asked the INGOs to indicate what percentage of revenues had been generated through different sources such as donations from foundations or membership fees. Also, the INGOs were asked to indicate the absolute number of paid staff and volunteers worldwide and at their headquarters. Table 3 presents all variables included in the empirical model.



Results

Sources of Funding

We distinguish between eight major sources of funding (see Table 4) and we find that the revenue sources differ greatly between the organizations:

The INGOs in this sample primarily fund their activities through donations from individuals: grants, donations or contracts from foundations; grants, donations or contracts from government; fees and charges from organizational members; fees and charges from individual members; economic activities; and, to a lesser extent, endowment incomes and other sources. Interestingly 17.4% of the total revenues of INGOs in this sample are generated through economic activities. This speaks in favor of an increasing hybridization of the sector in the sense that INGOs also engage in economic activities to generate revenues which are then used to fund their programs.

Our first hypothesis states that INGOs which finance themselves primarily through membership fees from individual members have boards elected democratically by the individual members of the organization, for example through a general assembly. Results from regression analysis show that this relationship is strong and very significant (see Table 5). In addition, we find that in INGOs which finance themselves primarily through membership fees paid by individual members stakeholder representation on the board is different: The number of board members representing the individual members is higher in such INGOs.

We control our results for legal form, age, size, and field of activity. It is not surprising that in foundations it is less common to have boards elected through individual members because of the smaller membership basis and that nomination modes vary to some extent according to fields of activity. Interesting findings are also that older INGOs have significantly less board members elected by the individual members and that INGOs with larger revenues have more board members elected by the individual members. Nevertheless, no general patterns can be observed and the results are not significant when explaining stakeholder representation.

Further, we expect that INGOs which finance themselves primarily through donations from individuals, grants and contracts from foundations and/or grants and

Table 4 Sources of funding

Revenues	Percentage
Fees and charges from organizational members	20.63
Economic activities	17.40
Fees and charges from individual members	13.73
Grants, donations or contracts from government	12.23
Grants, donations or contracts from foundations	11.48
Donations from individuals	11.03
Endowment income	6.15
Other	7.35

N = 105



Table 5 Relationship between sources of funding and board nomination and stakeholder representation: individual members

	Nomination mode: elected by individual members	Stakeholder representation: individual members
Funding: individual members	.243**	.210*
Legal form		
Foundation	248**	016
Association	.043	.075
Age	285**	217
Size		
Revenues	.331*	.237
Paid staff	226	.092
Field of activity		
Business	.070	170
Development cooperation	152	042
Education	.016	.003
Environment or animals	006	.117
Health care	080	017
Human rights and workers' rights	.142	.052
International emergency relief	.189	137
Research	038	.104
Religion	233*	261*
Sports	206**	036
Human services/community improvement	.056	045
Culture or art	.353***	.236**
Consumer or citizen interests	073	264**
N	84	86
R^2	.502	.261

^{*} p < 0.10, ** p < 0.05, *** p < 0.001 (two-tailed)

contracts from the government or public agencies will have self-selected boards. This hypothesis is partly rejected (see Table 6).

The percentage of board members elected by the board or a board committee, i.e., self-nominated, as well as the stakeholder representation of financial supporters and representatives from the public sphere only partly depends on the revenue sources. Only government funding has a strong, significant positive impact on the stakeholder representation. The nomination mode is not explained by sources of funding. We again control our findings for the legal form, age, size, and field of activity. As expected, self-nomination and the representation of financial supporters is more common in foundations.

The last hypothesis regarding the impact of revenue sources on board nomination and composition postulates that INGOs which primarily finance themselves through membership fees and contributions from regional and national member organizations have boards that are elected by a general assembly to



Table 6 Relationship between sources of funding and board nomination and stakeholder representation: self-nomination

	Nomination mode: self-nomination	Stakeholder representation: financial supporters	Stakeholder representation: public sphere
Funding			
Donations individuals	.048	044	.097
Foundations	013	144	.055
Government	009	.330**	.252*
Legal form			
Foundation	.406**	.429**	034
Association	.161	.188	300*
Age	019	120	019
Size			
Revenues	068	139	.126
Paid staff	.083	.182	.116
Field of activity			
Business	218	.249	.128
Development cooperation	.039	164	232
Education	.101	.254*	166
Environment or Animals	042	.017	052
Health care	073	061	.009
Human rights and workers' rights	.024	.145	.049
International emergency relief	096	266*	095
Research	.182	.123	.032
Religion	167	081	125
Sports	.069	.108	078
Human services/community improvement	168	.248	.029
Culture or art	188	.110	.276**
Consumer or citizen interests	.195	165	.008
N	84	86	86
R^2	.323	.263	.275

^{*} p < 0.10, ** p < 0.05, *** p < 0.001 (two-tailed)

represent these stakeholders or elected or nominated by the regional organizations directly.

Our data support this hypothesis (see Table 7). The correlations are strong and very significant. INGOs which primarily finance themselves through fees and charges from regional organizations do, in turn, give these regional organizations residual rights of control by allowing them to vote for board members and by having more board members representing them. We control our findings for the legal form, age, size, and field of activity. It is not surprising that INGOs active in the field of sports do have more often boards elected through regional members because these organizations are typically very decentralized.



Table 7 Relationship between sources of funding and board nomination and composition: regional member organizations

	Nomination mode: elected by regional member organizations	Stakeholder representation: regional member organizations
Funding: regional member organizations	.310**	.392**
Legal form		
Foundation	139	132
Association	047	161
Age	.225*	.055
Size		
Revenues	.099	246
Paid staff	191	.139
Field of activity		
Business	.043	120
Development cooperation	.155	.155
Education	067	039
Environment or animals	.098	.058
Health care	.032	.054
Human rights and workers' rights	001	.167
International emergency relief	018	066
Research	096	099
Religion	.201	052
Sports	.202*	.039
Human services/ community improvement	114	093
Culture or art	078	134
Consumer or citizen interests	066	092
N	84	86
R ²	.348	.199

^{*} p < 0.10, ** p < 0.05, *** p < 0.001 (two-tailed)

Volunteer Involvement

Of the 124 organizations who reported on the involvement of volunteers in their activities, 46 have no volunteer involvement at all and 80 organizations have no volunteer involvement at their headquarters (see Table 8). On the other hand, some INGOs have up to 100,000 volunteers worldwide. With regard to paid staff, 39 INGOs have no paid staff worldwide and 44 INGOs have no paid staff at their headquarters. Other INGOs in our sample have up to 1,000 paid staff worldwide (see Table 9).

We test whether the degree of volunteer involvement has an impact on board nomination modes and stakeholder representation on the board. Hypothesis 2 states



that a higher degree of volunteer involvement leads to a democratic election of the board by a general assembly. Our results are not unequivocal and let us partly reject the hypothesis: The percentage of board members elected by the organization's individual members does not correlate significantly with the number volunteers worldwide or at the headquarters (see Table 10). Nevertheless, stakeholder representation of volunteers on the board is much higher in INGOs with a high number of volunteers at the headquarters. The relationship is very strong and very significant. This is only true for the ratio of volunteers versus paid staff at the headquarters. We control our findings for the legal form, age, size, and field of activity.

In sum, our results let us reject parts of hypothesis H1b and H2 while accepting hypothesis H1a and H1c. Our findings indicate that INGOs which finance themselves primarily through membership fees from individual members have boards elected democratically by a general assembly (H1a). We also demonstrate that INGOs which finance themselves primarily through public donations have selfselected boards that are nominated to represent the government or public administrations (H1b). The residual rights of control, i.e., the right to nominate board members or a seat on the board, of all other donors such as philanthropists and foundations do not correlate significantly with their degree of importance as resource provider. Furthermore, we show that INGOs which finance themselves primarily through contributions from regional member organizations have boards that are either elected by a general assembly or the regional member organizations themselves or are nominated to represent them (H1c). Finally, we note that in INGOs where the degree of volunteer involvement at the headquarters is relatively high, there are more board members representing volunteers (H2). Nevertheless, only this element of hypothesis 2 is supported by the data: A higher degree of volunteer involvement at the global level or at the headquarters does not correlate

Table 8 Number of volunteers

N = 124

^a The data for the number of volunteers 'worldwide' include volunteers active at the 'headquarters'

Τ	able	9	N	um	ber	of	paid	staff
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N = 124	1
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^a The data for the number of paid staff 'worldwide' include paid staff working at the 'headquarters'

Number of volunteers	Worldwide ^a	Headquarters
0	46	80
1–10	26	31
11-100	34	9
101-1000	12	4
1001-10,000	4	0
10,001–100,000	2	0

Number of paid staff	Worldwide ^a	Headquarters
0	39	44
1–10	52	61
11-100	27	15
101-1000	6	5
1001-10,000	0	0
10,001-100,000	0	0



Table 10 Relationship between the degree of volunteer involvement and board nomination and composition

	Nomination mode: elected by individual members	Stakeholder representation: volunteers
Volunteers		
Worldwide	.006	010
Headquarter	.171	.341**
Legal form		
Foundation	241*	017
Association	.022	066
Age	242**	.137
Size		
Revenues	.201	226
Paid staff	160	046
Field of activity		
Business	007	067
Development cooperation	124	076
Education	.060	.069
Environment or animals	.015	030
Health care	049	.057
Human rights and workers' rights	.241**	.091
International emergency relief	.143	090
Research	040	.181
Religion	276**	.073
Sports	186*	.193
Human services/community improvement	049	.047
Culture or art	.402***	.137
Consumer or citizen interests	084	050
N	86	88
R^2	.481	.236

^{*} p < 0.10, ** p < 0.05, *** p < 0.001 (two-tailed)

with a higher number of board members democratically elected by a general assembly. Also, a higher degree of volunteer involvement at the global level does not correlate with more volunteer representation at the board level.

Discussion

Internal governance is a crucial means for INGOs to achieve legitimacy, accountability, and effectiveness particularly with regard to the challenging and volatile global environments in which they operate, increased calls for professionalization of the sector, and resource scarcity (Anheier and Themudo 2005; Lindenberg and Dobel 1999). In this context a fundamental question for INGOs is



how to deal with their extremely broad and heterogeneous set of stakeholders as indicated by the International Non-Governmental Organisations' Accountability Charter (2005). From a resource dependency and stakeholder theory perspective (Freeman 1984; Pfeffer and Salancik 1978), the question is which of those stakeholders constitute primary stakeholders in respect to the needed resources (Speckbacher 2008), or, in other words, which of those stakeholders are given residual rights of control: the right to nominate members of the board or to be represented on the board. In our study, we therefore analyzed whether INGOs follow the nomination mode of membership organizations, where the board is elected by the organizational actors and members, or of board-managed organizations, where the board is appointed by the most influential external stakeholders (Enjolras 2009).

In sum, we find that the residual rights in INGOs are unequally distributed and that in INGOs with their headquarters in Switzerland the decision of whether to follow a membership model or a board-managed model partly depends on the most important resource providers or, in other words, primary stakeholders:

First, we find that INGOs already integrate public administrations and governments, hence traditional INGO donors, in addition to their individual and regional member organizations. However, social investors, e.g., foundations and philanthropists are often excluded from the board. These resource providers do not hold significantly more residual rights of control in INGOs which finance themselves primarily through their contributions. The results thereby indicate that external resource providers hold a weak bargaining position with respect to INGO governance. Their residual rights of control are not protected. They do not have the chance to influence the mission and the strategy of the INGO through board politics, they do not participate directly in the oversight of the executive director and they do not represent the organization externally. Our results indicate that only the members of INGOs, both individual members and regional member organizations, in fact hold residual rights in the majority of the cases: They occupy an important position when it comes to the nomination and election of board members and they have more representatives on the board level. In other words, these INGOs are organized more democratically as board members are elected by general assemblies and not nominated by the board itself. In conclusion, if donors other than governments and individual and regional member organizations become more important for the funding of the INGO, INGOs need to find ways to integrate them into their board despite their democratic decision-making processes.

Second, we find that only those INGOs with a strong degree of volunteer involvement at the headquarters tend to allow volunteers to vote for board members, for example, through a general assembly. If the volunteers are only represented on the periphery, even by a high number, they are excluded. Nevertheless, as in the case of the donors, from a resource dependency theory perspective, these stakeholders ought to be involved in the organization's internal governance. One of the reasons for these results might be the difficulty in leading volunteers (Kreutzer and Jäger 2011). It seems to be much more convenient for boards to exclude this group of stakeholders from residual rights of control. Furthermore, it is likely that not all types of volunteers will evenly ask for residual rights of control. In



some cases the intrinsic motivation to work towards common goals and to network with people with similar values and beliefs will be sufficient rewards for volunteers, even if an INGO excludes them from decision making processes. However, if volunteers become more important as a resource provider, INGOs also need to find ways of strengthening their position in the governance of the INGO, for example by allowing them to vote for board members or by nominating board members representing volunteers.

These results suggest that INGOs maintain democratic internal governance mechanisms (membership model) in order to provide internal primary stakeholders with residual rights of control even if external stakeholders such as donors like philanthropists, foundations and volunteers provide vital tangible and intangible resources to the INGOs and therefore legitimately claim residual rights of control, i.e., by nominating board members (board-managed model).

Overall, this study holds important implications for the governance of CSOs in general, highlighting the relevance of board nomination modes and by showing how CSOs can incorporate stakeholders into their governance mechanisms. Due to their international structure and activity, the multitude and heterogeneity of stakeholders is particularly strong for INGOs as described in their "Accountability Charter" (2005). However, CSOs face the same challenge to decide which stakeholders should be regarded as primary stakeholders and be involved in the governance of the organization.

The critical question for CSOs in general is whether a lack of influence from external primary stakeholders in the internal governance weakens the overall legitimacy, accountability and performance. If we assume that a vital function of boards is to establish links to important stakeholders and to effectively control and monitor the organization, it is reasonable to argue that it does. These stakeholders not only provide vital resources and hence have the right to monitor the use of the resources, they also possess access to important information which is vital for the board in order to effectively fulfill its tasks. For example, volunteers are in the front ranks when it comes to the implementation of programs and have direct contact with the recipients of services of the CSO. In order to ensure sustainable long-term performance, board members ought to monitor and manage relationships between the various stakeholders and ensure organizational responsiveness. Key roles of CSO boards are to represent key stakeholders, to facilitate negotiation, to resolve potential conflicting interests, and to ensure that management acts in the interest of these stakeholders.

On the other side, internal democratic governance mechanisms are an important aspect of self-governance which is a constituting criterion for CSOs (Gordenker and Weiss 1995; Vakil 1997). From a neo-institutional perspective (DiMaggio and Anheier 1990; DiMaggio and Powell 1983), we can argue that Swiss INGOs maintain the membership model because it enjoys high legitimacy in the population (Helmig et al. 2009; Nollert and Budowski 2009). Neo-institutional theory suggests that CSOs are susceptible to external legitimacy demands and therefore tend to rationalize internal structures in order to ensure survival (Scott 2001; Suchman 1995). CSO boards and board nomination modes are one way to communicate externally the organization's responsiveness to societal efficiency norms and



preferences. In our case, the legitimacy of the membership model can be seen as a resource in itself which is important for CSOs and competes with funding as a resource when CSOs strategically choose a board nomination system (Abzug and Galaskiewicz 2001).

Conclusions

Based on the previously introduced results, our study mainly provides practitioners and researchers with an empirical contribution to the field of the governance of INGOs and CSOs: First, our study provides a comprehensive profile of the Swiss INGO sector. To date, only studies on the Swiss civil society sector in general are available (Helmig et al. 2009; Jakob et al. 2009; Nollert and Budowski 2009) and there are no specific data on INGOs. Our research reveals how many INGOs are active in the field, how big and old they are, in which fields they are active and how their governance is structured.

Second, the study sheds light on the governance of INGOs from a comparative point of view. Several studies have discussed qualitatively different designs for the governance of INGOs (Fowler 1997; Lindenberg and Bryant 2001; Young 1992), but very few quantitative studies are available that provide an empirical overview of the sector and test the hypotheses gained by the qualitative endeavors. Further, existing studies do not deal with board nomination modes and stakeholder representation in particular (Andrés-Alonso et al. 2009; Iecovich 2005a). Our study shows that board nomination modes and stakeholder representation in INGOs vary, how they vary, and why they vary.

Third, practitioners in INGOs and CSOs may find it useful to use our theoretical model when facing the challenge of how to treat different stakeholders. Again, we believe that it is vitally important and rational for INGOs and CSOs to view themselves as accountable to a wide range of stakeholders. Nevertheless, we argue that from a resource dependency perspective these organizations should decide which stakeholders are treated as primary stakeholders and hence receive the right to play an important role as actors within the internal governance of the organization. Our argument is that donors and volunteers are primary stakeholders in an economic sense as they provide vital and specific resources to the organization, create value for the organization, and at the same time do not possess completely specified claims on their return on investment. An INGO or CSO cannot succeed without their support and therefore they should be granted residual rights of control.

Our study has several important limitations. To further strengthen our results, longitudinal studies over a longer period of time in a multitude of countries would be desirable. Our study only provides a snapshot of the Swiss INGO sector and we are not able to describe trends. Also, the results of such an empirical study could differ in an Anglo-Saxon country as the models of governance are different there. Hence, a comparative implementation of our theoretical model in different countries would significantly strengthen the reliability and validity of our results.

Another limitation is that the study only touches upon board nomination modes and stakeholder representation and does not analyze the structure and functioning of



INGO boards in detail. This is where we see promising directions for further research. Our research could serve as a starting point for further empirical, quantitative work on different aspects of INGO governance and how the design of INGO governance depends on different internal and external aspects. Given the huge variety of different types of INGOs, such comparative studies seem particularly fruitful. Also, INGOs and CSOs in general are in need of integrated models of governance which allow them both to install democratic internal governance mechanisms in which individual members, regional member organizations, and volunteers can vote for board members and which also allow them to represent their most important external stakeholders and resource providers on the board level. Overall, the sector deserves more scientific attention given its importance within global governance and its level of exposure to public expectation as well as criticism. After all, INGOs "make the world far more global than it would otherwise be" (Boli 2006).

Acknowledgments We are grateful for the financial support of this study provided by the Dr.h.c. Emil Zaugg Fund. We also would like to thank Ariane Westphal, Steven Floyd and two anonymous reviewers for their useful comments.

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