

Not for Profit Board of Directors: Getting Organized

A Qualitative Study of Chambers of Commerce Governance

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This study looks at the complicated relationship between a volunteer board of directors and the best governance solutions to have the organization operate smoothly. By identifying the experiences of the chamber of commerce executives, this study identifies five recommendations for organizing a board of directors for best governance. The study also identifies best practices for selecting board members to serve to increase volunteer commitment and reduce potential conflict among members. This study is informative for any not-for-profit or non-profit organization seeking to organize better and allow the board to focus on the mission of the organization for greater success.

INTRODUCTION

There are over 7,000 chambers of commerce in the United States at the end of 2017, according to the Association of Chamber of Commerce Executives (ACCE), the premier organization for chamber of commerce professionals. A chamber of commerce in the United States is a voluntary membership organization that relies on businesses joining the organization for the benefits offered and the networking opportunities to grow their business. Each chamber of commerce is a separate, independent organization. Each chamber will self-determine how they are governed and operate. Typically, a chamber of commerce will be funded by membership dues and through events for members to network and learn best business practices. The typical role of a chamber of commerce is to be a hub organization for businesses to join for common issues and network their business for growth.

The governing body of chambers of commerce in the United States has a variety of board structure types. It is often called a board of directors but, the governing body can have a variety of names. (board of trustees, the board of governors, the board of advisors, the board of directors). There is not a required structure for this board beyond fiduciary requirements and responsibilities. Due to no formal or informal criteria for chamber board design, comparing one organizational structure to another is difficult. The structure and mix of board members for one organization may work for that organization but may not for another organization. It cannot be assumed that what works for one organization will work for the other. There is a wide range for board size of a chamber of commerce. ACCE tracks chambers on a variety of measurements. One of the criteria is the number of members on the board. According to ACCE, the membership ranges from 16 to over 140 members of a chamber board. Table 1 below illustrates the average board size distribution of chambers of commerce in the United States. (ACCE 2018). The preference of the specific chamber dictates the acceptable size.

TABLE 1
CHAMBER OF COMMERCE BOARD OF DIRECTORS SIZE

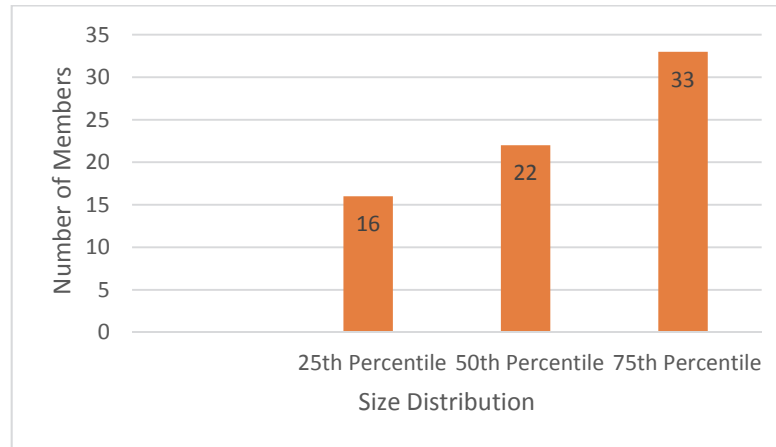


Chart 1: ACCE Dynamic Benchmarking Tool 2018

All chambers of commerce have governing boards that consist mostly of volunteer members who bring their business perspective to the governing role of the organization. It is common for the President to also sit on the board without voting privileges. The author's purpose was to examine how not-for-profit organizations structure the board of directors by reviewing four separate chambers of commerce board of directors in the same geographic region. Additionally, the author wanted to learn how the chamber of commerce President views the structure and if they had the opportunity, what would occur if they designed their board of directors versus what they had to accept working with a voluntary board of directors.

REVIEW OF LITERATURE

Scholarly work is abundant in general on the board of directors' duties. Most of this literature focuses on for-profit businesses or non-profit organizations, typically social service organizations. However, there is little scholarly research about a chamber of commerce in the United States. Most scholarly information available is concentrated in chambers of commerce in Europe, specifically about chambers of commerce in the United Kingdom (Bennett 1995, 1996, 1997, Fraiser 1973).

There was an extensive search conducted to find information specifically about chambers of commerce in the United States. Chambers of commerce in the United States are designed and governed differently than in other countries. Therefore; literature searches specifically targeted to U.S. chambers was conducted. Chamber boards, the structure of governance of the chamber, and guidelines for chamber board design were topics for the search. The research identified focused on the process of having an active board and having an accountable board of directors, (Stephens, Dawley, Stephens 2005). This research did not investigate how to determine the size of the board or how to create and fill openings on a board. Research specifically on chambers of commerce, the board size, and design is lacking.

Of the limited and relevant data available, most is dated. Some of the most pointed and direct research about chambers of commerce dates back several decades to the 1920s. One dated article discussed the role of a chamber to bridge economic cohesion among different socio-economic groups for the benefit of the community (Brown 1922). Although the article is almost 100 years old, an argument could be made that it is relevant for the current political and economic application. Most of the research discusses the level of influence and the ability to be the leading driver for the economy (Schultz and Blumberg 1957). The relatively current research tends to focus on the chambers of commerce in Great Britain and Ireland.

There is also the phenomenon of the different chambers of commerce's that are "Public Law" or "Private Law." The Public Law chambers refer to chambers of commerce typically found outside of the United States. They are financed by businesses that are required to join. It is like a tax on companies (Public Law). In the United States, a chamber of commerce has a voluntary membership (Private Law). The inherent conflict of these two types of chambers is inherent in the countries with a combined system but is unknown in the U.S. (Miller 1958).

The focus of his study was how each type of chamber works to influence power in their community. This comparison did not discuss board structure.

How policy develops for government advocacy department in a chamber and how it changes over time was studied by (Crawford 2015). He studied how organizations merge differing views to determine the positions and actions of organizations. The example of American chambers of commerce, specifically the U.S. Chamber of Commerce and the Michigan State Chamber of Commerce are studied. Most often, state and national chambers are primarily political advocacy organizations that work to influence legislation impacting business and commerce in their service territory. Crawford studied how their work can be polarizing or be seen in cooperation, depending on the issue and how it is communicated. The chamber influencing policy in its service area was analyzed as well as the elements that cause the organization to adapt and change the positions of the organization.

The analysis of organizational commitment by volunteer members and how it compared to the paid staff commitment is studied for the cultural elements of the organization by (Dawley, Stephens, and Stephens 2004). They have several articles on chambers and their role in the community. Their work has typically focused on a type of influence external to the chamber. Similarly, (Barnes 1924) discussed the industry development in a city and the role a chamber of commerce plays in the effort to attract business. Barnes' focus is on the demands of a chamber of commerce to improve the distribution of goods coming to a community and products being distributed out of the community to impact commerce. These demands, according to Barnes, have many interests and a chamber of commerce cannot respond to all. How the chamber can play varying roles, depending on the community interest in industrial development, is discussed in Barnes analysis.

In an area geographically like this study, (Noel and Luckett 2013) explored a chamber in Southwest Florida that was within 50 miles (80 Km) of the chambers interviewed for this paper. The focus of their work was to identify motivating factors to a small business joining their local chamber of commerce. Their analysis concluded that four primary elements (reputation building, corporate responsibility, business development, and networking and growing contacts) were the primary reason a small business joins their local chamber.

Continued research for studies and articles for this research was conducted. The results produced varying research on business that did not match the focus of this study. Many items focused on a different business topic and used a chamber of commerce as one example. When the chamber of commerce was the topic of study, the specific review of a chamber board design was not the focus of the research.

Method

For this study, four chambers of commerce were identified for examination. Each of the chambers serves a market within a larger metropolitan area in Florida. They have a generally accepted service territory and primarily focus on retail businesses for membership. The four chambers have a board of directors and an executive committee. These two volunteer groups at each chamber serve as the governing system for the chamber. The chambers were chosen for their strong support in their market and the relative proximity to one another.

The experience of each President was long enough for them to have established themselves as the leaders the senior staff person for the organization. Table 2 below illustrates the service area of each chamber President interviewed and the tenure of each President in their position.