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AGENCY THEORY EXTENSIONS: THE IMPACTS OF BOARD DEMOGRAPHY IN
BANKS AND INDEPENDENT COLLEGES

by

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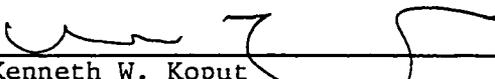
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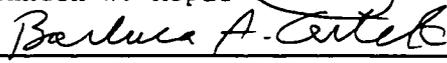
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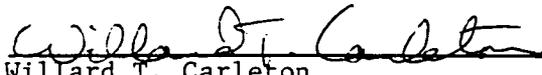
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DEDICATION

To my parents, Dave and Marjorie,

My wife, Susanne,

And my children, Peter and Elizabeth.

In appreciation for your support and the understanding of life's importance.

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ABSTRACT

This dissertation is a compilation of three studies that seek to extend the reaches of agency theory. In the first study, data on California banks from 1979-1987 were used to test the effect that board strength has on the acquisition and subsequent write-off of problem loans. As expected stronger boards incurred fewer loan delinquencies and loan losses. Board strength was also associated with smaller increases in loan write-offs when management turned over but larger increases when board members turned over. This suggests that board members are susceptible to escalating their level of commitment in the same way that managers are, implying that board members are also self-serving.

Using the same data set, the second study examined the relationship between management ownership in banks and corporate performance and risk-taking. In support of the agency argument, increased management ownership led to higher levels of ROA and loan losses in the banks. The function was diminishing but monotonic.

Using data gathered from private colleges and universities, the third study focused attention on agency in the not-for-profit sector by examining the relationship between board of director and presidential demography and school performance as measured by institutional revenue and gifts. The results provide mixed support and direction for the extension of agency models to the not-for-profit sector. Board strength, as measured by tenure and functional background, and presidential tenure, predicted better performance. These findings suggest that while boards play a significant role in performance of not-for-profits, their focus is on facilitating access to resources from the external environment

rather than in monitoring management.

CHAPTER 1

INTRODUCTION AND LITERATURE REVIEW

In modern organizations, there are many instances in which one person, or group of people, is commissioned to perform some function on behalf of another person or group. Because of possible differences in perspectives and incentive structures, the parties in such a relationship may not agree on what should be done and how it should be done. A classic example of such a potential difference of perspective may occur when owners of a corporation hire managers to handle the day-to-day operations of the company.

The complexities of such commissioned managerial functions have attracted enough attention to warrant a name: agency theory. Within the theory, owners, known as principals, hire managers, known as agents, to operate the organization. Because managers may take advantage of their position to obtain expensive perquisites, and because they are bounded in their rationality, managers do not always operate in the manner that maximizes the wealth of the owners. Owners must, in turn, devote resources to monitor and inform management in order to align the interests of the groups. Boards are commissioned by the owners as a go between in order to monitor and inform management.

Agency theory has, up to now, been applied almost exclusively to the owner-management relationship in for-profit corporations. This dissertation combines three new studies in order to extend this body of research by incorporating less restrictive decision theory and by investigating new domains of agency theory.

In the first study, annual time series data on California banks are used to observe the relationship of board strength and loan write-offs. It was found that a stronger board, operationalized by tenure, relevant experience, and other variables, decreases the link between managerial turnover and subsequent write-offs of bad loans. However, turnover in a strong board is also linked to increased write-offs of bad loans. By informing agency theory with the persistence of management and the sociology of director interests, the explanatory reach of the theory is extended.

In the second study, the same data are used to determine the impact that separation of ownership and control has on bank performance. Agency theory relies on the separation of ownership and control to explain why there is a need for a board to monitor the relationship. When separation is reduced, there may be less need for the monitoring role to take place. This study looks at the relationship between stock ownership and performance at these banks to see if increased managerial ownership leads to improved corporate performance. It was found that as the percentage of corporate stock owned by management increases, so does return on assets and loan losses. The latter is explained by management's increased incentive for sharing in the gain from taking on appropriate risks when deciding whether to approve loan funding to risky borrowers. Therefore, agency theory is supported by both relationships.

In the third study, the venue shifts from the corporation to the not-for-profit sector to see how agency theory may apply. Here, the definitions and boundaries of principals and agents become cloudy as it is unclear who the "owners" are for such an institution. Annual time series data on colleges and universities within the Council of Independent

Colleges are used to observe the relationship between board demography and the financial performance of the schools to see if agency predictions still hold. In support of agency, it was found that strong boards, as measured by those with long average tenure and having members with executive business experience, brought in more gifts and revenue to their institutions. However, contrary to agency theory, increased presidential tenure led to the same results. These results suggest that while boards play an important role in not-for-profits, it is focused on providing access to institutional resources rather than monitoring management.

History of the Agency Relationship

From the beginnings of production and commerce, there have been two characteristics that have stood out as the primary attributes of business ownership (Berle and Means, 1933). The first of these was the act of risking personal wealth in the search of profits. An individual would venture some personal wealth in order to fund an enterprise that would, hopefully, provide a reasonable return from his or her investment. The second attribute was the management of responsibilities for that enterprise. The typical owner would make all the important decisions on how the business should run and would be generally be actively involved in the day-to-day operations of the business.

Over time, organizations have become larger and more complex. Owners are frequently no longer involved in the day-to-day operations of their business. Instead, corporate ownership has increasingly become a passive investment with owners contributing little else than capital. There is a division of labor and high degree of

specialization within the work force, with many individuals and groups of individuals being involved in an intricate web of relationships and relying on one another in order to produce and consume the products that are being provided.

Shifting to the Modern Organization

In the 18th century, Adam Smith recognized that the division of labor and work force specialization were the forces that brought about the greatest improvement in the productive powers of labor (Smith, 1776). In his famous pin-manufacturing example, he pointed out that there were some 18 different operations, which were required in order to turn raw wire into a completed pin. Many of these operations required different sets of tools and different forms of expertise.

One man, working on the entire process by himself, might find it possible to produce between one and twenty pins per day, depending on how artful he was at each of the required tasks. The work, however, could be divided into the eighteen separate tasks with different workers performing different tasks rather than each performing the entire job. One worker could specialize in drawing out the wire, another could straighten it, a third could cut it, a fourth could point it, a fifth could grind it, and so on until the entire task was accomplished.

The outcome of this division of labor was twofold. Most apparent, there was a profound increase in productivity. By specializing on a particular task, a worker became more adept at that task and performed it more quickly and with fewer errors. Furthermore, by working together, the workers eliminated unnecessary movements that would be required by working alone. The end result in the pin factory was, Smith

noticed, that with each worker performing only one or two of the operations, ten workers could make about 48,000 pins in a day; 4,800 pins per worker.

The second outcome of the division of labor was an increased interdependence among workers. In the pin factory, the worker who points the pin must wait upon the worker who cuts the wire, and who, in turn must provide the pointed wire to the head grinder before that task can be performed. Within the pin-making factory, no pin can be made without each of the specialized workers performing their tasks. This growing complexity presented new challenges in supervising the labor force.

Growing Needs in Management

Before the shift to greater division of labor, one employee would do much the same work as each of the others. The owner, who may have done each of the tasks himself, could easily oversee the work of others. It was relatively simple to see who did quality work and who made mistakes.

The growth of businesses and task specialization naturally led to larger and more complicated organizations. Even in the simple pin factory, more employees were required in order to perform all of the tasks necessary to produce the product. It also became more difficult to compare who was performing above and below par since each employee was performing a different task.

Furthermore, new technologies were being developed which often called for the spanning of boundaries between what had previously been accomplished by two or more different companies or industries. For instance, Standard Oil was able to combine the drilling, pumping, distillation, and distribution of oil, activities that had been associated

with several different industries (Roe, 1994). This vertical integration led to a need for specialists who could perform and coordinate the activities, which now took place within the single organization. So, as interactions grew between workers and between the work and technologies, new specialists were needed to perform and coordinate the work processes. These shifts led to a need for changes in the people who were responsible for the day-to-day operations of the organization. It became increasingly important to have professional managers who could operate and coordinate business activities.

The railroad industry was one of the first industries facing such changes in management needs. Alfred Chandler (1977) described some of these changes: “Technology made possible fast, all-weather transportation; but safe, regular, reliable movement of goods and passengers, as well as the continuing maintenance and repair of locomotives, rolling stock, and track, roadbed, stations, roundhouses, and other equipment, required the creation of a sizable administrative organization. It meant the employment of a set of managers to supervise these functional activities over an extensive geographical area; and the appointment of an administrative command of middle and top executives to monitor, evaluate, and coordinate the work of managers responsible for the day-to-day operations. It meant, too, the formulation of brand new types of internal administrative procedures and accounting and statistical controls. Hence, the operational requirements of the railroads demanded the creation of the first administrative hierarchies in American business.”(p.87). Other industries followed the lead of the railroad industry in its trend toward organizational complexity and need for controls.

Growing Needs of Ownership

Though organizations were becoming more complex and requiring additional levels of management, in the 1800's the typical business was owned by either an individual or by a small group. These businesses usually originated when one or more people invested their own personal wealth to buy the plant and equipment necessary to start up and run their businesses. Most business expansion took place only as the current owners gathered additional wealth, through borrowing from a bank, or as they brought in more owners.

This ownership structure worked well in a world where organizations were relatively small and capital requirements were minimal. However, as the size and complexity of organizations grew, so did their needs for capital. In Smith's pin factory, this need may simply have amounted to a larger facility to accommodate more workers. In other industries, such as transportation and communication, technological advances required a great deal of new funding. The entrants in these industries faced a competitive disadvantage if they could not keep pace with technological changes. While individual owners were restricted to their own resources to fund expansion, corporations could sell stock to raise additional capital.

As the growth and sophistication of businesses increased, fewer individuals or small groups had the capital necessary to keep up with the increased complexity and innovations of modern industry. Therefore, corporations became the preferred ownership structure of the modern organization. This pattern of ownership change followed in one industry after another, as nearly all industries became more capital intensive.

As with management, the railroad industry took the lead in capital expansion.

As the industry moved from local to regional and transcontinental service, the cost of expansion increased dramatically. Chandler (1977) explains this change as follows, “The capital required to build a railroad was far more than that required to purchase a plantation, a textile mill, or even a fleet of ships. Therefore, a single entrepreneur, family, or small group of associates was rarely able to own a railroad.” (p.87). By the 1850’s many of the rail lines cost in excess of \$10 million, far more than the wealthiest persons could afford to fund by themselves.

The railroad industry, then, became the first large industry to face the shift from owner-managers to a new paradigm of separation of ownership from managership. Other industries were quick to follow. The pattern for many industries was for entrepreneurs to fund the original businesses. If the businesses were successful, the industry would grow. The largest of the firms in the industry would begin to squeeze out the smaller ones. Some of the new capital necessary to fund the larger firms could come from retained earnings or from bank borrowings. Ultimately, though, increasing the numbers of owners would be required to supply the capital required for expansion. At the same time, professional managers were needed to operate the ever-growing businesses. So, increasingly dispersed ownership and the separation of ownership from managership became the models of large successful organizations in the modern economy.

Agency theory

These two interrelated trends, increasingly dispersed ownership and the separation of ownership from managership, produced a conflict of interest between what had

become two separate parties owning and controlling the organization. This changed the model on which business profits had been built. The prior model specified that the owner of capital would choose to invest in a business and would become personally involved in the business in order to assure maximum returns. There was no potential for conflict between what was in the best interest of the owner and what the owner actually did. When ownership and managership began to diverge, the model changed, making way for a conflict of interest between what had become two separate parties owning and controlling the organization.

The Principal-Agent Relationship

A principal-agent model deals with the contractual arrangements between two or more individuals. The principal seeks someone to perform a task or service. The agent agrees to perform the service in exchange for compensation. The principal determines what he would consider to be favorable terms of the agreement. The agent weighs these terms against alternatives offered and accepts the contract if it exceeds a minimum reservation price. The principal's goal, then, is to develop a compensation scheme that will attract a capable agent who will be motivated to perform the required services at a level meeting or exceeding the expectations of the principal (Bowie and Freeman, 1992).

There are a number of complications. The first is goal incongruity. It is inherent to the situation that the principal desires to have something done. It is unlikely that the agent will be self-inspired to carry out this desire. Furthermore, the selected methods and specifications of the agent may diverge from those desired by the principal. Therefore, the agent must be induced to operate as desired by the principal.

The second complication is measurement uncertainty. It is not always clear, even in the mind of the principal, what it is that must be done. This uncertainty can be compounded in the mind of the agent. Finally, often there is a great deal of uncertainty in evaluating how well the agent is performing or determining whether it is the external environment or the agent's performance which accounts for the successful or unsuccessful performance.

The third complication is information asymmetry. An agent is aware of his or her capabilities, level of effort, and responsibility for success and failure as compared to the principal. However, the principal does not know this and therefore cannot easily identify the best candidate for agency or whether the chosen candidate is actually responsible for the successes or failures of the contracted agreement. To reduce this asymmetry, the principal must take part in costly monitoring and auditing activities.

The final contractual complication results from risk aversion on the part of the agent. Most people have a preference for a satisfactory and stable income to one that fluctuates. This preference may lead an agent to underperform in his or her duties in order to reduce the likelihood of producing varying results which, in turn, could lead to varying levels of compensation from the principal to the agent.

These complications created an incentive problem between owners and managers. The contract between these two groups became difficult to draw up. Some types of arrangements can create incentives for underperformance (Lindbeck and Snower, 1987) on the part of the agent. Others may attract the wrong type of manager (Stiglitz, 1987). These two problems are referred to as moral hazard and adverse selection, respectively.

Principal-agent models are designed to help principals find their best contracting terms. The objective is to optimize the payoff to the principal, considering all the constraints that have been mentioned. This modeling approach has two aspects that make it particularly useful. First, it is amenable to rigorous analysis. By structuring the problem as an optimization problem for the principal, rather than as a two-person bargaining game with each party attempting to optimize his own outcome, it is more likely that analysts can find a definitive solution. By adopting simplifying assumptions, the mathematics is made more manageable. Second, the principal-agent structure appears to exist to some degree in a wide range of transactions, contracts, and relationships. Examples mentioned in the literature include (principal first) shareholders and managers, employers and employees, patients and doctors, citizens and public servants, creditors and debtors, customers and service firms, and so on. A case can be made that there is an element of the principal's problem in every exchange relationship in which the exchange is not perfectly simultaneous. The first party to deliver his goods must rely on the second party to keep his part of the bargain. For a time, the second party acts as the first party's agent. While only the first of these, the owners and managers, has received much attention to date, the models are designed to be generalizable to the other relationships as well.

There is a large body of literature in which agency theory is developed and the contractual relationship between principals and agents is tested. Berle and Means (1932) first proposed the theory to explain the development of the modern corporation. Subsequently, Jensen and Meckling (1976) used agency to explain why non-owner

managers in a firm with both debt and equity financing will make decisions that will inhibit firm performance when compared to a firm run by the owner. Jensen (1986) argued that agency explained the motivation for managers to be less risk seeking than owners. Fama and Jensen (1983) extended the theory's reach by arguing that the separation of ownership and control, and thus the agency relationship, is the efficient form of organization for for-profit corporations and not-for-profits alike. Empirical tests have followed up much of this theoretical research.

The present research examines three extensions of agency theory. The first turns on the fact that contractual relationships are incomplete. It is both inefficient and impossible to cover all possible contingencies through contract. Hence, the agency theory prescription is to support contract writing and enforcement with a board of directors. These boards are to monitor management and serve as an information-producing device for both the managers and the owners. The argument is that by doing so, the interests of managers become more closely aligned with those of the owners. However, the problem is that different boards may perform differently. An effective or strong board must be active and independent (Zahra, 1996). By looking at the demographic profile of its members, it is possible to predict that some boards will operate more actively and independently than others. For instance, a board member who works as an employee for the firm may worry that taking a stance that is unfavorable with the CEO may adversely affect future employment or advancement. However, an outside member (those who have no prior work association with the organization) would not face this concern. Therefore, firms with boards that have more outsider members should be

more independent. However, while strength may help the board in its role monitoring and controlling management, it may also have other repercussions. Boards are made up of individuals who are subject to the same limitations as are managers. So, for instance, a strong board may take on responsibility for management of the organization and, therefore, be subject to the same psychological and economic weaknesses.

The second study focuses on the specifiable incentives used to align the interests of management with owners. Contracts are made to encourage management to operate in the best interest of owners. A primary interest-aligning incentive should be stock ownership. Since it is the separation of ownership from managership that leads to agency and its inherent problems, it is only logical that as managers become shareholders of the firm in which they work, their interests should come into alignment with the other shareholders. With ownership, the manager shares in the potential gain from success in risky ventures. This should give owner-managers a longer-term perspective and encourage them to accept projects that are risky but prudent. In the banking industry, this would lead to a prediction that owner-managers will make loans that are expected to provide a higher level of return but are also more likely to become uncollectable. In addition, there are other processes that occur along with ownership. From a psychological perspective, ownership increases organizational commitment, as owner-managers are bound to the organization both in their behavior, by their investment, and in their attitude, as the goals of the organization become the goals for the individual. This commitment should also help to align the interests of managers with those of owners, who are primarily interested in their return on investment. Agency theory, then, predicts

that organizational performance will rise along with management ownership.

However, as managers become owners, the role of the board also changes. Since the board is supposed to represent the owners, this role becomes confused as managers become owners. Therefore, it is quite possible that as managers become owners, the effectiveness of the board becomes diminished.

The third study expands the current narrow legal definitions of principals and agents. In most contract law, principals are the owners of a corporation and hold property interest in the residual claims or profits of the firm. Agents act as employees of the principals. This has led to the use of for-profit corporations as the primary setting of agency research. However, in the general theory, the principal-agent relationship extends to a much broader applicability. To extend the reach of agency, in study three, common agency research techniques are applied to the not-for-profit sector. In not-for-profits, there are no profits to be paid and no contractual owners to pay them to. In such an organization, it is unclear who the principals are and how they are served. There are, however, managers who are hired to act as agents and boards that monitor them. Therefore, the same relationships that have been found between managerial and board demography and organizational performance in the for-profit corporation research should apply to the not-for-profit sector as well. This study tests some of these relationships by looking at the relationship between board and president demography and performance at private colleges and universities.

The chapters that follow will describe each of these studies and their findings and conclusions.

CHAPTER 2
AGENCY AND PERSISTENCE IN A LONGITUDINAL STUDY OF HOW BANKS
COPE WITH PROBLEM LOANS.

Introduction

Research on agency theory has attempted to describe governance mechanisms that organizations use to solve what is known as the basic agency problem: that (1) management may have goals and motives which do not serve the interests of owners and (2) owners may find it difficult or undesirable to directly monitor or verify what management is doing. Agency theory adopts the assumptions that individuals pursue their self-interest and that goals can conflict in organizations (as in March, 1962; Pfeffer, 1981). Agency theory also relies on boundedly rational individuals who are faced with asymmetrically distributed information (Eisenhardt, 1989). That is, managers are better informed than owners, putting managers at an advantage. Thus, according to Eisenhardt (1989), "the heart of principal-agent theory is the trade-off between (a) the cost of measuring [managers'] behavior and (b) the cost of measuring outcomes and transferring risk to the [managers]."

Fama and Jensen (1983) described the role that boards of directors play in mediating the tension between owners and managers. They proposed that when a manager acts irresponsibly, boards with richer information are in a better position to identify the poor performance and transfer risk, in terms of job loss, to the manager.

This inherent threat is assumed to align managers' behavior with the interests of owners. Thus, a great deal of research on agency theory has operationalized the richness of board information, and attendant strength of implied monitoring, in terms of board members' number, tenure, experience and industry background, and homogeneity (Eisenhardt, 1989).

Agency Theory in a Banking Context

One of the major problems faced by banks is the management of problem loans. Two ways banks cope with problem loans are by making provisions for future loan losses and by writing off non-performing loans. Allocating funds to a loan loss reserve means that a bank expects future loan losses to result. Writing off a loan means that the bank removes the account receivable from the assets of the firm's balance sheet. Both of these actions are, to some extent, a signal of problems in prior lending decisions. As such, if agency-theory is correct and directors are effective in transferring risk to managers, then one might expect that provisions and write-offs would precede turnover, as those responsible for bad loans would be removed from positions of responsibility.

In a recent study of the banking industry, Staw, Barsade and Koput (1996) investigated the relationship between management turnover and the recognition and write-off of problem loans. They found no evidence for this agency-theory prediction. Instead, they found the opposite: turnover of senior management foreshadowed increased write-offs. Staw, et al., interpreted the turnover-precedes-write-offs finding as evidence that banks are better able to cope with problem loans when those responsible for the failing course of action leave. I take advantage of this finding to extend agency

arguments about the role of boards of directors in monitoring management.

Theory

Board Strength, Director Interests, and Shifting Responsibility

The turnover-precedes-write-offs effect may be due to the weakness of boards of directors. While normative agency theory is predicated on the notion that directors can be monitors of management, it does not guarantee that they always will be. What is prescriptive is not always descriptive. After all, managers may be better at seeking their own interest than boards are at monitoring. A key mediating variable that was not accounted for in the Staw, et al., (1996) study was the strength of the board. A strong board is one that is informed and willing to make independent judgments. An informed board understands the environment in which the organization resides. An independent board can stand up to management pressure to conform when corporate and management interests diverge. While it is not feasible to directly assess the strength of individual managers or directors, it is possible to track changes in the demographic makeup of the board and management team over time. In this study, I test whether a strong board precludes managers from engaging in problematic loan practices, by anticipating a decrease in loan losses, net of any effects from manager or director turnover.

Proposition A: A strong board reduces subsequent problem loans.

We can also examine whether board strength mitigates the disengaging effect of

management turnover. Staw, et al., argued that, because management has a tendency to persist with prior loan practices, the turnover of management will provide a chance to change course. However, if strong boards are indeed more vigilant in controlling management decisions, there might be no need for management turnover as a coping device for managing problem loans. With strong boards, increased accountability may preclude the tendency to persist with a losing course of action (cf. Tetlock, 1985).

Hence, I argue that if this effect of turnover simply reflects nonvigilant boards, it should be weaker when the board is stronger and stronger when the board is weaker. If directors are seen as agents for owners, then a strong board should align managers' behavior with the interests of the owners. I refer to this as Proposition B:

Proposition B: A strong board reduces the effect of management turnover on subsequent loan write-offs, controlling for the level of problem loans.

Since, per agency theory, directors are assumed to have no interests of their own (their interests and those of owners are assumed to be aligned), a simple story would not anticipate a relationship between director turnover and subsequent write-offs. Drawing on a managerial perspective according to agency theory, however, I predict that directors' interests can become manifest when the board is strong. In fact, a strong board may displace both the responsibility and commitment of management, introducing a new linkage between director turnover and write-offs. The link between director turnover and loan write-offs may result from a shift in the locus of responsibility, from management to

the board of directors.

In what sense can directors be said to be responsible for problem loans? In general, boards have little responsibility for functional or operational decisions (Kosnik, 1987). Directors are certainly not involved in the day-to-day loan operations—they do not make loans and they do not write off loans. Nonetheless, boards can have substantial indirect effects (Kosnik, 1987). Directors can influence lending practices through managerial policy decisions. They may also influence lending practices through the threat associated with strong oversight. Managers may, therefore, act in ways they otherwise would not because they are aware of directors' ability to monitor their lending practices.

In the simple agency theory story, managers respond to a stronger board by being more vigilant in lending. But, I argue that is not the only way they could react. Directors have interests of their own to protect (Mallette and Fowler, 1992). If managers behave in ways to anticipate the preferences of directors or otherwise try to win the favor of directors, then a strong board simply displaces the agency problem, rather than solving it. The key to agency arguments about the effectiveness of boards in altering management behavior lies in the perception by management that boards provide owners with better information. This is not the same, however, as owners' interests actually being served. Instead, the responsibility of the board displaces that of management.

I label this twist to the personal responsibility hypothesis of escalation theory (Staw, 1976; Brockner and Rubin, 1985), the responsibility-shift. Because responsibility for decision-making has repeatedly been found to be associated with persistence (see

Brockner, 1992), so too would we expect to find a change in the focus of persistence as responsibility is altered. As increased board strength shifts the locus of responsibility from managers to directors, this should improve the coping of managers with respect to their own interests, but actually worsen coping with respect to directors' interests.

While I still predict that the presence of a strong board should decrease the link between management turnover and write-offs of problem loans, I now also predict that board strength should create a positive link between director turnover and subsequent write-offs. I refer to this additional prediction as Proposition C.

Proposition C. A strong board introduces an effect of director turnover on subsequent write-offs, controlling for the level of problem loans.

Demographics and board strength.

SIZE

While group size results have been mixed, from an agency perspective, larger groups have more cognitive resources and knowledge (Bantel & Johnson, 1989; Hambrick & D'Aveni, 1992) and access to more information sources (Hambrick & Mason, 1984), resulting in a larger repertoire of possible practices and greater adaptability (Katz, 1982). As a result, larger boards should have a greater monitoring capacity (Deutsch, 1969; Murray, 1989). Combining these findings with the propositions a-c leads to the first set of hypotheses.

H1: Increased board size should a) decrease subsequent problem loans and write-offs, net of any turnover effect, b) decrease the effect of management turnover on write-offs, controlling for problem loans and c) increase the effect of director turnover on write-offs, controlling for problem loans.

HOMOGENEITY

Homogeneous teams have been seen as more efficient (Hambrick & Mason, 1984; Murray, 1989), because members of homogeneous teams know what to expect from one another (Pfeffer, 1983). Homogeneous functional background has been found to lead to better performance on tasks that do not require creativity or innovation (Ancona and Caldwell, 1992), such as financial performance in high-tech firms (Smith et al, 1994). Further, homogeneous teams tend to communicate more (Murray, 1989), to be higher in social cohesion (Lott and Lott, 1965), and to have greater commitment to prior courses of action (Wiersema and Bantel, 1992). Combining these findings, and considering that bank lending requires more communication than creativity, a more homogeneous board is likely to be seen as stronger, more responsible for and committed to loans, and less amenable to having prior loans written off.

H2: Increased director homogeneity should a) decrease subsequent problem loans and write-offs, net of any turnover effect, b) decrease the effect of management turnover on write-offs, controlling for problem loans and c) increase the effect of director turnover on write-offs, controlling for problem loans.

TENURE

Greater board tenure should also increase its ability to use information and make it less likely to be persuaded by self-interested arguments of managers. As individuals stay in an organization, they become increasingly confident that they know how to do things the right way (Wanous, 1980). Hence, a board that has been in place longer, is likely to be stronger, more unyielding, and more responsible for lending practices. The resulting shift in locus of responsibility (from management to the board) should lessen the link between management turnover and subsequent write-offs, while increasing the link between board turnover and write-offs. The logic at work in the aforementioned prediction is that management will act according to directors' interests or policies. In such a scenario, board turnover provides management with the opportunity to reassess a bank's loan portfolio.

H3: Increased board tenure should a) decrease subsequent problem loans and write-offs, net of any turnover effect, b) decrease the effect of management turnover on write-offs, controlling for problem loans and c) increase the effect of director turnover on write-offs, controlling for problem loans.

INDEPENDENCE: OUTSIDE v. INSIDE

Outside directors are thought to be more vigilant in protecting the long-term interests of stockholders because they are not bound to the short-term performance of the

firm in the way insiders are thought to be (Mallete & Fowler, 1992; Finkelstein & D'Aveni, 1994; Fama & Jensen, 1983; Johnson, Hoskisson & Hitt, 1993). Outsiders are less susceptible to the social influence of executives (Coughlan & Schmidt, 1985, Warner et al, 1988) and have a personal reputation at stake that gives incentive to be vigilant (Fama & Jensen, 1983). Some studies have borne out this axiom, finding that insiders are less fiducially responsible (Kesner & Johnson, 1990) and outsiders are associated with higher performance (Waldo, 1985; Zahra & Pearce, 1989). In this study, an outsider is one who has never been employed at the bank in any other capacity than director. Others have extended insiders to include those working for firms with interlocking boards (O'Neal & Thomas, 1995), or with strategic alliances or joint ventures with the firm (). By any measure, it is not feasible to know with certainty if an outsider is truly independent (for instance, the director may be a relative of the CEO). However, on average, a board with more outsiders is thought to be more independent. Hence, outside directors should improve loan performance and decrease problem loans. Because of the perception of outsiders as objective monitors, the presence of outside directors may also shift loan responsibility to the board. I predict this shift of responsibility will translate into a displacement of managers' persistence and decrease the management turnover effect on write-offs, but also increase the effect of director turnover on write-offs.

H4: Increased board independence should a) decrease subsequent problem loans and write-offs, net of any turnover effect, b) decrease the effect of management turnover on write-offs, controlling for problem loans and c) increase the effect of director turnover

on write-offs, controlling for problem loans.

RELEVANT EXPERIENCE

Frequently, boards are composed of executives with general managerial experience. However, in banking, directors may have a background in an industry with which the bank conducts business, or directors may have occupational experience relevant to banking. In such cases, directors should be privy to more information relevant to loan performance and be better able to digest the information that is available. Thus, directors with experience in a field to which loans are made should know more about the risks of operating in that field and be better able to assess lending opportunities, lessening problem loans. With greater capabilities will likely come greater responsibility. Such a shift in responsibility should, as argued earlier, break the link between management turnover and write-offs, and build a relationship between director turnover and subsequent write-offs. Hence, directors with a background in a material lending field of a bank should displace management's persistence from their own interests to directors' interests, reducing the effect of management turnover, but increasing the effect of board turnover on write-offs.

H5: Increased relevant board experience should a) decrease subsequent problem loans and write-offs, net of any turnover effect, b) decrease the effect of management turnover on write-offs, controlling for problem loans and c) increase the effect of director turnover on write-offs, controlling for problem loans.

Method

Data Sources

The data for this research consisted of 9 years of archival data on 132 banks located in California. I included in the study essentially the entire population of domestic, regional and independent banks that were in business from 1979 to 1987¹. Although the California economy is diverse, examining banks from a single state provided some control for conditions that might affect a single geographic region.

The source of the data was the Findley Reports on California Banks (Findley Reports Inc., 1979-1988). These reports contain detailed year-end financial and operating data, as well as the names and demographic information on the executives and board of directors for each bank. The Findley Reports are compendiums of annual data from other sources, such as the Uniform Call Report filed by all commercial banks insured with the FDIC as well as reports from other federal and state banking agencies.

Dependent Variables: Problem Loans and Coping with Them

I used two common banking statistics as indicators of the extent of a bank's problem loans: the amount of loan delinquencies and the net loan losses. I used a third common banking statistic to measure coping with problem loans: provision for loan losses. In analyzing coping, I use prior loan delinquencies and a fourth indicator, prior allocations to loan loss reserve, as controls for the level of problem loans still at risk of being written off and subject to coping.

¹With the exception of four banks for whom dependent variable data were missing.

Loan Delinquencies. Delinquent loans are those loans on which payments are not up to date. For our measure of loan delinquencies, I only use those loans past due for more than 90 days, as shorter times past due frequently capture minor business fluctuations or delays in internal processing, and are often resolved promptly. Because the amount of loan delinquencies will naturally vary with the size of a bank's loan portfolio, I adjust loan delinquencies by taking them as a percentage of a bank's total outstanding loans. Since loan delinquencies were only reported for approximately 40 percent of our population, I have only partial data on this measure. The mean value of adjusted loan delinquencies for the banks that did report a figure was .0418 of total loan value, with a standard deviation of .0354.

Net Loan Loss. Net loan loss is the final accounting write-off of loans as losses. By writing off a loan it is considered uncollectable and therefore, under standard accounting rules, no longer qualifies as an active bank asset (Patten, 1983). Net loan loss is the residual of all write-offs taken during the year, less any unanticipated recoveries during the year from any loans previously written off (Bank Administration Institute, 1984). Because net loan loss may also vary widely by the size of a bank's loan portfolio, it was adjusted in our analyses as a percentage of the bank's total outstanding loans. The mean in our population for adjusted net loan loss was .0062, with a standard deviation of .0108.

Provision for Loan Loss. The provision for loan loss is the amount of money a bank sets aside in a given year in anticipation of non-performing or uncollectable loans (Banking Terminology, 1989). This allocation of funds appears on the income statement as an operating expense. Because the provision for loan loss directly decreases bank

earnings for the year, it is not taken lightly. It is made only after careful scrutiny of the loan portfolio and reflects a willingness to accept the fact that losses are likely to occur. Obviously, the size of the provision for loan loss is highly dependent on the size of a bank's portfolio. To control for differences in bank size, provision for loan loss was calculated as a percentage of the bank's total outstanding loans. The adjusted provision for loan loss in our population had a mean of .0075, and a standard deviation of .0094.

Loan Loss Reserve. Loan Loss Reserve represents the accumulated funds set aside for future loan losses. This reserve is listed on the balance sheet. It is increased by the yearly provision for loan loss (an expense item) and decreased by loan write-offs (Banking Terminology, 1989). Because loan loss reserve is an accumulated balance, it can affect whether a bank considers it necessary to make further provisions for loan losses in any given year. In addition, having placed money earlier into a reserve may influence willingness to write off problem loans as uncollectable (or losses). Therefore, I use the loan loss reserve as a control variable in the analyses. This variable was also adjusted by the bank's total loans. The mean for adjusted provision for loan loss was .0120, with a standard deviation of .0099.

Board Strength: Demographic Measures I use several demographic measures common in the agency-theory literature on boards of directors. In computing the board measures, I use only directors who are not also managers of the board in question. The first two measures of board strength are the size of the board and the average tenure of directors. Size is a simple count of the number of directors on the bank's board in a given year. Tenure is equally simple, being the numerical average of years served on the bank's

board for all directors serving in a given year. I compute Independence as the percent outside by taking the number of directors who had no other working association with the bank (current or prior) over the board size.

Homogeneity of directors' backgrounds was measured by first coding directors into 13 categories organized around 4-digit SICs (Standard Industrial Classifications): agriculture, mining, construction, manufacturing, transportation, wholesale trade, retail trade, finance, real estate, service industries, public administration, general business (administration not specific to an industry), and non-labor-market experience (e.g. homemakers). I then computed an index of homogeneity for each firm in each year as follows. For firm i in year t , I denote the number of directors with a background in occupation type j as $n_{it,j}$ and the total number of directors aggregated over all occupations ($j=1\dots 13$) as n_{it} . The proportion of bank i 's directors of background j , out of the total board size, is denoted $p_{it,j}$ and given by $p_{it,j} = n_{it,j}/n_{it}$. Each $p_{it,j}$ is squared and then the sum is taken over all j , resulting in the index of diversity, y_{it} , so that:

$$y_{it} = \sum_{j=1}^J p_{it,j}^2.$$

This is equivalent to subtracting from unity the index of heterogeneity popularized by Blau (1977).

I assess the extent to which directors have Relevant Experience (backgrounds in fields to which their bank has significant loans) by forming a composite variable of interactions between two types of variables. First, I separately compute the percentage of

directors whose primary occupational background is in each of five categories: finance, farming, construction, real estate, or other industry. These five fields account, on average, for about 50 percent of the board; in some cases, a single one of these fields comprises the entire board. For example, suppose in a particular year a bank had ten directors, five of which had backgrounds in finance, three in farming, and one each in construction and real estate. Such a bank would have values for the five director background variables of .5, .3, .1, .1, and 0, respectively, in that year. Second, I compute the percentages of a bank's total loans that are to each of five related classes of borrowers: financial institutions, farmers, construction contractors, real estate developers/purchasers, or industrial concerns. On average, approximately 50 percent of bank loans are to these five areas; in many cases, a single one of these areas accounts for more than half of a bank's loans. Let us further suppose that in the same year our imaginary bank had a million dollars in total loans, comprised of two hundred thousand to each class of borrowers. The values for the five lending field variables would be .2, .2, .2, .2, and .2. Then, I form the composite interactions of director backgrounds and lending fields by multiplying, respectively across the associated background categories and lending fields, the results of step one and two. For our exemplary bank and year, the values for the five background-by-field interactions would be .1, .06, .02, .02, and 0. A summary measure of relevant experience is formed by summing over the values of these five interactions and then taking the square root.

Turnover I calculated turnover for each bank in each year as the number of

directors and managers, respectively, leaving a bank. Turnover was indicated when a bank executive was recorded as working for the bank during a given year but not listed by the bank during the subsequent year. For example, if an executive was reported as CEO in 1980, but not in 1981, then he or she was coded as turning over in 1981. Because the Findley Reports list executives at year's end, turnover recorded as occurring in a given year could have occurred anytime from 1 to 12 months into the calendar year. Only senior management and board members who left the bank entirely were included in the turnover data. Those who did not leave the bank, but were assigned to other managerial positions (e.g., via promotion), were not included in turnover calculations as they could still have an influence over loans. Turnover was coded as missing if a position was vacant in a given year within a bank, and not treated as zero.

Interactions of Demography and Turnover For turnover to have an effect on write-offs, there must be problem loans held prior to the turnover. Recall that I interpret the turnover-to-write-offs link as indicating prior escalation---only when a responsible party leaves can a bank properly cope with problem loans. Thus, by forming an interaction term between board demography and turnover, I can examine the influence of directors' characteristics on the coping process that underlies the aforementioned turnover effect. A positive coefficient on a demography--turnover interaction indicates that the relevant board characteristic magnifies the effect of turnover. A negative coefficient on a demography--turnover interaction, in contrast, indicates that the relevant board characteristic mitigates the effect of turnover. I assume that a positive interaction indicates greater prior persistence and, as such, represents a worsening in coping;

whereas a negative effect suggests improved coping. It is through these interactions, then, that I will test the predictions of my responsibility-shift theory.

Additional Control Variables

Management Strength and Experience Because I am interested in how the board demography measures influence actions taken by managers, I include comparable measures of size and tenure for the top management team as controls. For these top management team measures, I include bank presidents, CEOs, and chairmen, as well as other bank senior management (executive and senior vice-presidents, COOs, vice-chairmen, CFOs, controllers, and cashiers). Size is a simple count of the number of employees in the positions just mentioned. Tenure is the average number of years that managers held their positions. Note that I do not use the total years in the bank for the measure of management tenure, as this might include years for which individuals did not have loan responsibility, and hence, over-estimate the strength of management relative to the board. I also control for the average number of years in banking among the top management team as an additional measure of management experience.

Fixed firm and year effects For statistical purposes, as described in the next section, I control for differences in bank policies and in economic conditions over time by including dummy variables both for firms and years.

Statistical Methods

Statistical analyses were conducted on nine years of cross-sectional records (from 1979 to 1987) for all 132 California banks in the dataset. Given that banks that were

purchased or otherwise went out of business during the period were excluded from the study, the potential for bias toward those institutions that were under severe financial pressure or were otherwise mismanaged has been reduced. To test the predictions of my hypotheses, I employed a panel regression estimator. This procedure allowed me to account for the effect of years, individual banks, and other specified control variables. The selection of this technique was primarily based on the theoretical consideration that effects of escalation reside within firms and occur over time. That is, I am interested in explaining processes (e.g., board strength influencing coping) that occur within firms over time rather than factors (e.g., geographic region) that determine which banks had the highest levels of write-offs.

As such, I do not want the estimates to be biased by between-firm variation on variables that cannot be observed². Such unobserved heterogeneity could arise due to differences among firms in omitted variables that are constant over time, such as different initial conditions. Or, unobserved heterogeneity might result from differences over years in omitted variables that are constant over firms, such as changes in economic conditions. These omitted variables could affect both independent and dependent variables (as a common cause), biasing estimates of the parameters (capturing the relationship between independent and dependent variables). [For example, some banks may have “weaker” boards and more write-offs due to differences in histories or strategies.]. To eliminate

² Autocorrelation may also bias parameter estimates because of factors that change over time within firms, but are not included in the model. For example, firms may have cycles of lending practices that have naturally evolving patterns that change in coherent, but unforeseeable ways over time. Therefore, for each of the models reported I internally estimated the effect of a serial correlation term in a first-order autoregressive model, as described in Hsiao (1986, p.54-55), after controlling for the lagged independent variables. In none of these analyses did I find significant residual autocorrelation.

any spurious effects due to unobserved differences among firms I included fixed firm effects. That is, I included a dummy variable for each firm, giving each firm its own mean, or constant, on all of the independent variables and the dependent variable. This fixed-effects approach is used rather than the alternative random effects specification sometimes used in panel regression because I have virtually the entire population of California banks operating over our nine-year observation period rather than a random sample.

In the analysis of problem loans used to test hypotheses H1a--H5a, with fixed effects included for both the firm and year controls and lagged independent variables as predictors, the dependent variable (delinquencies, net loan losses) for bank i at time t , $y_{i,t}$, is modeled as:

$$y_{i,t} = \alpha_i + \gamma_t + \psi_1 \cdot \text{TO}_{i,t-1,\text{man}} + \psi_2 \cdot \text{TO}_{i,t-1,\text{dir}} + \sum_{j=1}^J \beta_j \cdot x_{i,t-1,j} + \sum_{k=1}^K \theta_k \cdot z_{i,t-1,k} + \varepsilon_{i,t}$$

In this equation, α_i is the effect, or intercept, of firm i : $i = 1 \dots N$, where N is the number of banks; γ_t is the effect, or intercept, of year t : $t = 1 \dots T$, where T is the number of years. The within-firm slopes of management and director turnover are, respectively, represented by ψ_1 and ψ_2 , pooled over all firms and all years. The demographic variables, $x_{i,t-1,j}$, have within-firm slopes captured by $\beta_j, j=1 \dots J$. Remaining control variables are denoted by $z_{i,t-1,k}$ and have within-firm slopes of θ_k .³ Lastly, $\varepsilon_{i,t}$ is a

³ There are limitations to the use of a 1-year lag between the independent and dependent variables. For example, a change in management may lead to some relatively rapid changes in loan write-offs. However, including a lag allows the model to become causal. A second limitation is that some changes in loan

normally distributed error term.

For the analysis of coping with problem loans, I introduce to the model two additional sets of coefficients, λ_j and δ_j . The new terms set parameters for the interactions of the demographic variables with management and director turnover, respectively, and therefore allow us to test hypotheses H1b,c--H5b,c. The model for the dependent variable (provision for loan loss) becomes:

$$\begin{aligned}
 y_{i,t} = & \alpha_i + \gamma_t + \psi_1 \cdot \text{TO}_{i,t-1,\text{man}} + \psi_2 \cdot \text{TO}_{i,t-1,\text{dir}} \\
 & + \sum_{j=1}^J \beta_j \cdot x_{i,t-1,j} + \sum_{j=1}^J \lambda_j \cdot x_{i,t-1,j} \cdot \text{TO}_{i,t-1,\text{man}} + \sum_{j=1}^J \delta_j \cdot x_{i,t-1,j} \cdot \text{TO}_{i,t-1,\text{dir}} \\
 & + \sum_{k=1}^K \theta_k \cdot z_{i,t-1,k} + \varepsilon_{i,t}
 \end{aligned}$$

The strict assumptions of the normal regression model are violated, because the primary dependent variable is skewed and only approximately continuous (adjusted write-offs is defined as continuous, though bounded). While the truncation and skewness are potentially problematic, these features are shared by the independent variables or are accounted for by the firm effects, allowing us to make the a priori working assumption of symmetric disturbances. In other words, it is the between-firm distributions that are skewed, and not the within-firm distributions. I confirmed the validity of this assumption with diagnostic plots in a post-hoc residual analysis (not reported here).

The remaining issue in obtaining the fixed-effects estimates is that of colinearity

portfolios, and thus loan losses, occur over a several year period. However, by restricting the lag to 1 year, more degrees of freedom are preserved.

among the predictor variables. It might be expected that some of the independent variables are correlated within firms over time. For instance, larger boards have more room for diversity. Table 2.2 displays first-order correlations among all of the variables used in our analyses. The correlations among all of our independent and control variables are quite modest.

Results

Table 3 contains the first set of results from the panel regressions, providing the effects of board demography and director background on subsequent problem loans. Table 2.3 is comprised of two separate models, one in each column, which are distinguished by the measure of problem loans that is used. The dependent variables are adjusted loan delinquencies and adjusted net loan loss, respectively appearing in columns 1 and 2. Each model displays 10 coefficients, which can be segmented into two sets of independent variables: measures of (1) board strength and (2) controls. The first five of the row variables operationalize board strength in terms of board demography and director background. Rows 6-8 control for management characteristics, while rows 9 and 10 control for the potential effects of turnover on subsequent loan problems. All models also include, as controls, unreported fixed firm effects, and fixed year effects. Row 11 in each column gives the change in within-firm R-square attributable to the set of variables in the model that are presented, while row 12 gives the full R-square including the unreported effects.

The first 5 rows of the table contain the results for hypotheses H1a--H5a. Recall

that this set of hypotheses predicts that board strength, operationalized through board size, homogeneity, tenure, independence, and relevant experience, should decrease problem loans. For the first measure of problem loans, adjusted loan delinquencies, all of the effects are in the predicted direction, with 4 out of 5 significant beyond the conventional .05 level. The effects of board strength on adjusted net loan loss are all in the predicted direction and significant. The lessened significance of board strength on loan delinquencies can be explained by the smaller sample size, due to missing data. The consistency in the signs and magnitudes of all the effects between models 1 and 2 is remarkable, and suggests no particular bias in the smaller sample. Overall, the support of hypotheses H1a--H5a is quite strong. Increases in board size, homogeneity, independence, tenure and relevant experience subsequently reduce loan delinquencies and net loan losses within banks. Year-to-year changes in these measures in a given bank account, on average, for 5% of the year-to-year variation in net loan losses and as much as 8% of the year-to-year variation in loan delinquencies.

Table 4 contains the results of the tests of the responsibility-shift hypotheses (H1b,c--H5b,c). This table displays the effects of board demography and director background on coping with problem loans. Table 4 is comprised of four separate models, one in each column. The models are distinguished by the independent and control variables that are used. All four models use subsequent adjusted provision for loan loss as the dependent variable. Models 1 and 2 control for prior adjusted loan loss reserve as a measure of accumulated funds for problem loans, while models 3 and 4 use prior adjusted loan delinquencies to control for the actual level of problem loans.

The first model in each set (1 and 3) display only the main effects and control variables, adding only the control for problem loans to the independent variables used in Table 3. These models provide a baseline so that we can see the additional explanatory power resulting from the board-strength-by-turnover interactions. The second model in each set (2 and 4) includes the board-strength-by-turnover interactions. As such, models 2 and 4 test the responsibility-shift hypotheses and are the major focus of the discussion.

Models 2 and 4, in Table 4, each display 22 coefficients, one in each row. The 22 rows are segmented into four sets of variables. The first five rows in each model contain the effects for the board strength variables as main effects in the model. The results are entirely consistent with those of Table 3. Rows 6-10 and 11-15 in each model respectively present effects for the interactions between the board strength variables and management turnover and director turnover. Rows 16-22 include as controls prior problem loans, management characteristics, and turnover main effects. Unreported but included in all models are fixed firm effects, and fixed year effects. Row 23 in all columns gives the change in within-firm R-square attributable to the set of variables in the column, while row 24 contains the full R-square including the unreported fixed effects.

The results in Table 4 bear out the responsibility-shift predictions of H1b,c—H5b,c. For all operationalizations of board strength, the board-strength-by-management-turnover interactions are uniformly negative, as predicted, while the coefficients of board strength by director turnover are all uniformly in the predicted positive direction. These results were similar no matter whether prior loan loss reserves (model 2) or delinquencies

(model 4) were used as controls. For the negative board-strength-by-management-turnover effects in rows 6-10, I find, for both models 2 and 4, 4 out of 5 coefficients to be significant beyond the conventional .05 level. For the positive board-strength-by-director-turnover effects, we find significance beyond .05 in every case, both for model 2 and 4. Added hierarchically, the board-strength-by-management-turnover interactions and board strength-by-director-turnover interactions separately improve model fit, in terms of the within-firm R-square, at or beyond the .05 level of significance. To summarize the results in Table 4, board size, homogeneity, tenure, independence, and relevant experience each decrease the effect of management turnover on write-offs and increase the effect of director turnover on write-offs, controlling for the level of problem loans.

We now turn to a final set of results to test the more conventional agency-theory explanation of the effects of boards of directors. Agency theory, in its original form, would predict that managers are held more accountable by stronger boards, rather than having their loan responsibility shifted to directors. The agency prediction that board strength increases accountability of managers would clearly be consistent with our results showing that stronger boards decrease problem loans and that director turnover precedes write-offs when the board is strong. It also might be consistent with the negative board-strength-by-management-turnover interactions. However, a discriminating test between traditional agency explanations and our responsibility-shift hypothesis comes in examining whether write-offs precede management turnover when the board is strong. Management turnover was not found to be affected by loan losses in prior research (Staw,

Barsade, and Koput, 1997), and no effect is predicted by our responsibility-shift hypothesis. Yet such an effect is mandated by agency-theory's argument concerning increased accountability; namely that the board should discipline management (force turnover) when a course of action taken by management has failed. Thus, when a board is strong, greater write-offs should lead to increased turnover.

We can see from Table 5 whether board strength does or does not induce an effect of write-offs on management turnover. Table 5 contains two columns, each modeling subsequent management turnover as the dependent variable. Looking first at column 1, we see from row 11 that the effect of adjusted write-offs on management turnover is still not significant, even after controlling for board strength. Only one measure of board strength has a main effect on management turnover, the relevance of directors' backgrounds to their banks' lending fields, and that effect is negative. The more relevant the directorial makeup of the board, the lower is management turnover. Most important, there were no significant interactions of board strength and write-offs on management turnover. As shown in rows 6-10 in the second column of Table 5, all of the board-strength-by-loan-loss interactions are far from significant, with a mix of positive and negative signs. Thus, the absence of an effect of write-offs on turnover in prior research does not appear to be due to the failure to account for the strength of boards of directors.

Discussion

The results provide ample evidence of the influence of boards of directors. Some of the effects observed fit well with an agency theory perspective on corporate

governance. Banks, for example, appear to incur fewer loan delinquencies and loan losses with a strong board of directors, just as one would expect with increased oversight and accountability. However, many of the results do not fit so neatly within the agency theory framework. Several board characteristics that have elsewhere been shown to alleviate the principal-agent problem were here demonstrated to simply displace the agency problem. Having strong directors not only weakened the link between managerial turnover and write-offs, but also introduced a link between director turnover and write-offs. Thus, the de-escalation effect of turnover, a functional mechanism that allows organizations to recognize and cope with adversity, was not facilitated by having a strong board of directors. Strong boards simply displaced the responsibility and persistence effects from management onto directors. Hence, the interplay of management and directors may be much more complicated than those originally envisioned by agency theory.

The results imply that it may be useful for agency theory to revisit its stark assumptions about the psychology of managers and directors. As Perrow (1986) has observed, agency theory ignores the political and interpersonal aspects of corporate governance. Directors are more than repositories of information about managers' behavior to be reported to owners---they have interests to protect, just like managers and owners (Mallette and Fowler, 1992), and bear responsibility for the strategies and policies of their organizations. And, as past research has shown, managers are more than hyper-rational cogs in the organizational works, they are also subject to nonrational processes. As these banking data demonstrate, boards of directors may also be the objects of these

processes in such a way that the interests and responsibilities of directors may influence the behavior of managers.

In many ways the “responsibility-shift hypothesis” provides a rather pessimistic view of organizational governance. It implies that problems such as escalation cannot be entirely resolved by increased accountability. Instead, the escalation problem simply move on to the shoulders of whomever is in charge, be it managers or directors. Such a harsh conclusion may, of course, be as much of an overgeneralization as the agency argument it seeks to replace. The data did, in fact, show that board strength was associated with fewer loan problems overall, and lessened persistence in some aspects. Thus, it is likely that both agency theory and the responsibility-shift hypothesis have something to offer as partial explanations of organizational behavior. Integrating these explanations may require adopting the perspective espoused by some sociologists (Putterman, 1984; White, 1985) that agency is an authority relationship, rather than a simple contract. In this view, "managers are agents not of the shareholders, but of the board, while the board is conceived not as an agent of shareholders but as an independent institution" (Eisenberg, 1976: 2-3). Authority spills over beyond the narrow bounds of expressed demands, often with unanticipated consequences.

In practical terms, the data showed that a strong board could reduce the scale of problem loans. But it would be wise to add a warning for owners who would appoint a strong board in hopes of eliminating the basic agency problem. Because simple increases in accountability resulted in more complicated and unanticipated results, the agency perspective should not be regarded as a cure-all. One solution may be to train directors to

be aware of the potential for persistence, so that their monitoring can specifically focus on this managerial shortcoming. These and other techniques may work as well or better than the simple tightening of accountability and hierarchical control presumed by agency theory.

I believe the results have implications beyond the banking industry. Strategy researchers have shown that strong management teams lead to resolute behavior in enacting policy decisions---to "stay the course" in colloquial terms. It is widely assumed that this persistence is to be desired. To the extent that this strategic persistence relies on commitment (Milliken and Lant, 1991), I join those who caution that there may be a negative side (Finkelstein and Hambrick, 1990; Wiersama and Bantel, 1992), and that turnover may be necessary for the organization to "unlearn" from its prior success (Lant, Milliken, and Bantra, 1992; Virany, Tushman, and Romanelli, 1992). However, the findings suggest that a strong board may inhibit successful strategic re-orientation after turnover in the top management team. Those remaining in the organization may find a stronger symbolic message in the continuity of directors than in the turnover of managers.

CHAPTER 3
FOR BETTER OR FOR WORSE: EFFECTS OF MANAGEMENT STOCK
OWNERSHIP ON PERFORMANCE, COMMITMENT, AND AGENCY IN A
LONGITUDINAL STUDY OF CALIFORNIA BANKS.

Introduction

The view of owners and managers pitted against each other in a fight for corporate control has a long history (Berle and Means, 1932; Morris, 1964), and has been the subject of much theorizing as well as empirical research. Organizational scholars have observed numerous ways in which corporate managers act against the apparent interests of owners. For example, executives resist takeovers that offer premium prices to shareholders, but threaten their jobs, through the use of golden parachutes (Wade, et al., 1990), poison pills (Davis, 1991; Mallette and Fowler, 1992), and greenmail (Kosnik, 1987). Similarly, executives are often excessively risk-averse, failing to invest in long-term projects that might depress short-term financial performance and, thus, their compensation (Stroh, et al., 1996).

As a result of these managerial pursuits, owners have recently been seen to take a more active, if not activist, role in the running of corporations (Davis and Thompson, 1994). But, what happens when the managers are owners? This is an increasingly pertinent issue, not only because shareholders more frequently place their own in the executive suite, but also because corporations more frequently reward managers at all

levels with stock or stock options, thus making them into owners. Do such schemes successfully align the interests of these new owner-managers with those of the other owners? Does the behavior of owner-managers differ, in any way, from managers who do not have any ownership? If owner-managers do behave differently, is there a level of ownership that is optimal? In this study, I investigate these questions within the context of the banking industry, to see whether increases in ownership by managers 1) improves, or worsens, performance, including whether it affects the level of loan losses, 2) improves, or worsens, coping with poor performance, particularly whether it affects persisting with a failing course of action, and 3) alters the impact of the board of directors in monitoring managers.

Theory

Prescriptively, agency theory offers two means of enforcing the principle-agent contract (Zajac and Westphal, 1994). First, boards of directors can be put in place to monitor executives. Fama and Jensen (1983) described the role that boards of directors play in mediating the tension between owners and managers. They proposed that when a manager acts irresponsibly, boards with richer information are better positioned to identify the poor performance and transfer risk, in terms of job loss, to the manager. This inherent threat is assumed to align managers' behavior with the interests of owners. Many studies have documented the effectiveness of strong boards in improving corporate performance and innovation (Hermalin and Weisbach, 1991; Zahra and Pearce, 1989; Johnson, Hoskisson, and Hitt, 1993). However, equally many studies have questioned whether directors are agents of owners or are instead either the agents of managers in

legitimizing managers' actions (White, 1985) or perhaps free agents acting to serve their own interests (Mallette and Fowler, 1992).

Agency theory's second prescription is for owners to create incentives for managers to behave accordingly. In a recent lab study, incentive alignments schemes were found to be more powerful in altering behavior than monitoring mechanisms (Tosi et al, 1997). But, field studies suggest that constructing appropriate schemes in real settings is a daunting, and perhaps impossible, task. Thus, according to Eisenhardt (1989), the heart of principal-agent theory is the trade-off between (a) the cost of measuring [managers'] behavior and (b) the cost of measuring outcomes and transferring risk to the [managers].

Ownership, agency, and commitment

From the economic perspective of agency theory, then, nonowner managers seek to avoid risk. As a result, they resist any change that might increase uncertainty or threaten the status quo. Put simply, the bulk of any risk-related returns accrue to owners, not managers, unless those managers hold stock or receive stock options as compensation. Stock ownership involves assuming risk, for the potential of future gains; and managers rewarded with stock do so in lieu of certain, but smaller, cash bonuses. According to agency theory, stock ownership aligns the interests of owner-managers with other owners, prompting them to accept, rather than aver to, risk (Stroh et al, 1996). In support of this prediction, Walking and his colleagues found, in two studies, that management's resistance to takeovers decreased with ownership (Walking and Long,

1984; Malateste and Walking, 1988). Mallete and Fowler (1992) echoed these results, demonstrating that ownership by inside directors (managers on the board) decreased the incidence of poison pills. Viewed more proactively, owner-managers may even seek appropriate risk. Schreiber showed why managers should accept higher levels of risk when bonus payments were tied to performance (1997). Hill and Snell found that corporate diversification, a move designed to reduce risk, was constrained by managerial stock ownership (1988) and that R&D spending increased with managerial stock ownership (1989). In a study of corporate entrepreneurship, Zahra (1996) found that executive ownership increased managers' pursuit of risky projects. In each of these cases, it follows that the non-owner manager maintains a relatively short-term and risk-averse position for the firm's performance while the owner-manager becomes willing to accept greater risk in exchange for longer-term results. In the banking industry, loans are made without complete knowledge of the certainty of repayment. That is, loans are risky projects. However, loans have different levels of risk. Riskier loans are more likely to go bad. Hence, if ownership increases risk-seeking, we should see greater loan losses, on average, with increased ownership.

H1: A greater percentage of stock ownership by managers should subsequently lead to increased loan write-offs.

Due to this longer-term perspective, agency theory predicts that short-term performance may be compromised (Hermalin and Weisbach, 1991). However, such a trade-off need not exist in industries like banking, in which risk-taking is a fundamental

aspect of both short and long term business activity when risks are assessed properly. Lenders match riskier loans with higher interest rates and can potentially reap greater profits even with more loan losses. However, vigilant evaluation of risks associated with loans requires a committed effort by bank managers.

From a managerial perspective, ownership increases organizational commitment, as owner-managers are bound to the organization, both behaviorally by their investment (Salancik, 1977) and attitudinally as the goals of the organization become goals for the individual (Hall et al, 1970). This commitment is quite apart from, and in addition to, any psychological commitment derived from adherence to a previous course of action such as that of approving loans (chapter two). Owner-managers should identify with the organization and, thereby, will wish to maintain their role in order to facilitate the congruent goals to a greater degree than is the case for the nonowner-manager, whose commitment is based on an exchange relation in which attachment is bought by rewards and payments (March and Simon, 1958; Mowday et al, 1979). In organizational studies, behavioral and attitudinal commitment have been positively related to performance and motivation (O'Reilly and Chatman, 1986; Luthans et al, 1988; Ouchi and Wilkins, 1985), whereas the link was not found for an exchange-based measure of commitment (Meyer et al, 1989). Therefore, there is reason to believe that a for-hire manager will not develop a strong organizational commitment while an owner-manager will. This commitment should help to align the interests of managers with those of owners, who are primarily interested in the return on their investment. In support of this contention, Cheng and Pruitt (1996), found that firm market value and executive ownership are jointly

determined. Owner-managers, then, should be motivated to ensure that loan risks, while greater, are prudent so that losses on unrecovered loans are more than offset by higher returns on those that are repaid with interest. Return on assets (ROA) is a commonly used financial measure of overall corporate performance in a given year.

Hence, I predict:

H2a: A greater percentage of stock ownership held by managers should subsequently lead to better overall performance, thereby increasing ROA.

As the level of stock ownership by managers increases to become a substantial percentage of the total of the corporation's voting shares, a second and opposite effect may occur. Significant levels of ownership provide management protection from those forces that are meant to reduce agency costs. Management may possess enough of the influence and voting power to secure uncontested employment and, therefore, may become entrenched in the organization. When owner-managers control 50% of the stock, there remains no possibility for a hostile takeover or other forced action upon management. In fact, as reported by Weston (1979) there have been no cases of hostile takeovers when insiders owned at least 30% of the stock. High levels of management ownership may also be an indication of a family-controlled corporation, which are often noted for prioritizing family issues above shareholder interests (Hermalin and Weisbach, 1991) and have been associated with lower levels of performance (Morck et al, 1987).

In either case, this 'entrenchment' effect, as reported by Morck (1988), may begin at much lower levels of total percentage ownership. While their results are more clear at

higher levels of ownership [above 20%], Hermalin and Weisbach (1991) report a possible negative relationship between management ownership and performance when management holds as little as above 1% of total corporate shares. Others have found a negative relationship starting at above 5% of total shares (Morck et al, 1988), and at above approximately 40% to 50% of total shares (McConnell and Servaes, 1990). I suggest this entrenchment as a separate effect from the convergence-of-interests effect focused on above.

H2b: Up to some point, managerial stock ownership will lead to better overall performance, but beyond this point, further ownership should lead to worse overall performance, thereby decreasing ROA.

Managerial commitment is not viewed as unambiguously good, especially where risk and uncertainty are present. Too much commitment can lead to a variety of performance-threatening pathologies, from overconfidence to legal or ethical blindness (Randal, 1987). When performance problems do occur, commitment may lead to persistence if a failing course of action involves even the hint of a future turnaround (Staw and Ross, 1989). Often, parties responsible for the initial investment will ignore early warning signs and persist in a course of action to save face or avoid negative scrutiny. Two ways that banks cope with problem loans are by making provisions for future loan losses and by writing off loans that have gone sour. Both of these actions are, in a sense, a disengagement from prior lending decisions. In a recent study, Staw, Barsade and Koput (1996) investigated the relationship between management turnover

and the recognition and write-off of problem loans. They found that turnover of senior management foreshadowed increased write-offs, which they interpreted as evidence for the responsibility hypothesis of escalation research: that banks are better able to cope with problem loans when those responsible for, and presumably committed to, the loans leave. Write-offs after turnover are also a sign of strategic change, punctuating a departure from the prior course with the departure of prior management. More responsible owner-managers should cope worse than other managers, being more likely to persist in their courses of action. A greater percentage of stock ownership by management should, it follows, worsen coping with poor performance, by magnifying such strategic persistence. If so, we should see a greater increase in loan write-offs and provisions for loan losses when turnover occurs.

H3: Increased stock ownership by management should subsequently worsen coping with poor performance, thereby increasing the effect of turnover on loan write-offs and provisions for loan losses.

Staw et al (1996) argued that, because management has a tendency to persist in prior decisions, the turnover of management would provide a disengagement effect, acting as a coping device for managing problem loans. In chapter two, we saw that strong boards preclude the tendency for managers to persist with losing courses of action, lessening the link between managerial turnover and write-offs.

When managers are owners, the role of the board adjusts from one of oversight toward one of advice and counsel (Jensen and Meckling, 1976). Since owner-managers

already assume risk, the boards' primary role of transferring risk for poor performance is mediated. Further, since we expect better performance overall from owner-managers, there is less room for directors to improve matters. But, directors need to be especially staunch when problems are apparent. If owner-managers are more persistent, as I have predicted, then the role of the board should be greater. In sum, I argue that a greater percentage of stock ownership by management should mediate the agency role of directors. A strong board should have less of an effect when things go well, but be crucial to helping managers recover from problems.

H4: Greater stock ownership by managers should subsequently (a) lessen the impact of board strength on positive performance, but (b) increase the effect of board strength on coping with poor performance.

Method

Data Sources

The data for this research comes from the same source as the study discussed in chapter 2. It consisted of 9 years of archival data collected in the Findley Reports on California Banks (Findley Reports Inc., 1979-1988). These reports contain detailed year-end financial and operating data, as well as the names and demographic information on the executives and board of directors for each bank during each fiscal year.

Dependent Variables: Performance and Coping with Poor Performance

I focus on two measures of performance, ROA, computed as net income adjusted for total assets; and Net Loan Losses adjusted for total loans. Net loan losses are a

common banking statistic to indicate the extent of a bank's problem loans. I used a second common banking statistic to measure coping with problem loans: provision for loan losses. In analyzing coping, I use prior allocations to loan loss reserve to control for the level of problem loans still at risk of being written off and subject to coping.

ROA is a standard measure of financial performance or profitability. Return on assets is a bank's net operating income in a given year, divided by the value of a bank's assets. Operating income is the difference between the revenues generated by a bank, in terms of its investments, loans, etc. and its operating expenses, including interest paid on demand deposits. The weighted mean of ROA for California banks over 1979-1987 is 1.7461 percent, with a standard deviation of 1.6037.

Net Loan Loss. Net loan loss is the final accounting write-off of loans as losses. By writing off a loan it is considered uncollectable and therefore, under standard accounting rules, no longer qualifies as an active bank asset (Patten, 1983). Net loan loss is the residual of all write-offs taken during the year, less any unanticipated recoveries during the year from any loans previously written off (Bank Administration Institute, 1984). Because net loan loss may also vary widely by the size of a bank's loan portfolio, it was adjusted in our analyses as a percentage of the bank's total outstanding loans. The mean in our population for adjusted net loan loss was .0062, with a standard deviation of .0108.

Provision for Loan Loss. The provision for loan loss is the amount of money a bank sets aside in a given year in anticipation of non-performing or uncollectable loans

(Banking Terminology, 1989). This allocation of funds appears on the income statement as an operating expense. Because the provision for loan loss directly decreases bank earnings for the year, it is not taken lightly. It is made only after careful scrutiny of the loan portfolio; nevertheless, it is a discretionary item and reflects a willingness to accept the fact that losses are likely to occur. Obviously, the size of the provision for loan loss is highly dependent on the size of a bank's portfolio. To control for differences in bank size, provision for loan loss was calculated as a percentage of the bank's total outstanding loans. The adjusted provision for loan loss in our population had a mean of .0075, and a standard deviation of .0094.

Loan Loss Reserve. Loan Loss Reserve represents the accumulated funds set aside for future loan losses. This reserve is listed on the balance sheet. It is increased by the yearly provision for loan loss (an expense item) and decreased by loan write-offs (Banking Terminology, 1989). Because loan loss reserve is an accumulated balance, it can affect whether a bank considers it necessary to make further provisions for loan losses in any given year. In addition, having placed money earlier into a reserve may influence willingness to write off problem loans as uncollectable (or losses). Therefore, I use the loan loss reserve as a control variable in the analyses. This variable was also adjusted by the bank's total loans. The mean for adjusted provision for loan loss was .0120, with a standard deviation of .0099.

Management Stock Ownership I measure ownership by top management on a continuous basis for each bank, as the percentage of the bank's total outstanding shares of

common stock that are held by members of top management. For all of the top management team measures, I include bank presidents, CEO's, and chairmen, as well as other bank senior management (executive and senior vice-presidents, COO's, vice-chairmen, CFO's, controllers, and cashiers). The amount of stock held by these managers varies within banks over time. Overall in the population, top managers held an average of 38% stock ownership.

Turnover I calculated turnover for each bank in each year as the number managers leaving a bank. Turnover was indicated when a bank executive was recorded as working for the bank during a given year but not listed by the bank during the subsequent year. For example, if an executive was reported as CEO in 1980, but not in 1981, then he or she was coded as turning over in 1981. Because the Findley Reports list executives at year's end, turnover recorded as occurring in a given year could have occurred anytime from 1 to 12 months into the calendar year. Only senior management and board members who left the bank entirely were included in the turnover data. Those who did not leave the bank, but were assigned to other managerial positions (e.g., via promotion), were not included in turnover calculations as they could still have an influence over loans. Turnover was coded as missing if a position was vacant in a given year within a bank, and not treated as zero.

Interactions of Turnover and Stock Ownership. For turnover to have an effect on write-offs, there must be problem loans held prior to the turnover. Recall that I interpret the turnover-to-write-offs link as indicating prior escalation---only when a responsible

party leaves can a bank properly cope with problem loans. Thus, by interacting stock ownership with turnover, we can examine the influence of ownership on the coping process that underlies the aforementioned turnover effect. A positive coefficient on an ownership--turnover interaction indicates that ownership magnifies the effect of turnover. A negative coefficient on the ownership--turnover interaction, in contrast, indicates that ownership mitigates the effect of turnover. I assume that a positive interaction indicates greater prior escalation and, as such, represents a worsening in coping; whereas a negative effect suggests improved coping. It is through these interactions, then, that I will test the predictions of our theory in regard to managers' commitment.

Board Strength: Demographic Measures I use several demographic measures common in the agency-theory literature on boards of directors. In computing the board measures, I use only directors who are not also managers.⁴ Size is a simple count of the number of directors on the bank's board in a given year. I compute Independence as the percent outside by taking the number of directors who had no other association with the bank (current or prior) over the board size.

Homogeneity of directors' backgrounds was measured by first coding directors into 13 categories organized around 4-digit SICs (Standard Industrial Classifications): agriculture, mining, construction, manufacturing, transportation, wholesale trade, retail trade, finance, real estate, service industries, public administration, general business (administration not specific to an industry), and non-labor-market experience (e.g.

⁴ Tenure is often used as a measure of board strength. However, chapter 2 and Staw et al (1997) both found only weak tenure effects in the banking industry and other studies have found mixed support for whether

homemakers). I then computed an index of homogeneity for each firm in each year as follows. For firm i in year t , I denote the number of directors with a background in occupation type j as $n_{it,j}$ and the total number of directors aggregated over all occupations ($j=1 \dots 13$) as n_{it} . The proportion of bank i 's directors of background j , out of the total board size, is denoted $p_{it,j}$ and given by $p_{it,j} = n_{it,j}/n_{it}$. Each $p_{it,j}$ is squared and then the sum is taken over all j , resulting in the index of diversity, y_{it} , so that:

$$y_{it} = \sum_{j=1}^J p_{it,j}^2.$$

This is equivalent to subtracting from unity the index of heterogeneity popularized by Blau (1977).

I assess the extent to which directors have Relevant Experience (backgrounds in fields to which their bank has significant loans) by forming interactions between two types of variables. First, I separately compute the percentage of directors whose primary occupational background is in each of five categories: finance, farming, construction, real estate, or other industry. These five fields account, on average, for about 50 percent of the board; in some cases, a single one of these fields comprises the entire board. For example, suppose in a particular year a bank had ten directors, five of which had backgrounds in finance, three in farming, and one each in construction and real estate. Such a bank would have values for the five director background variables of .5, .3, .1, .1,

more or less tenured boards are stronger. Hence, I only include board tenure as a control.

and 0, respectively, in that year. Second, I compute the percentages of a bank's total loans that are to each of five related classes of borrowers: financial institutions, farmers, construction contractors, real estate developers/purchasers, or industrial concerns. On average, approximately 50 percent of bank loans are to these five areas; in many cases, a single one of these areas accounts for more than half of a bank's loans. Let us further suppose that in the same year our imaginary bank had a million dollars in total loans, comprised of two hundred thousand to each class of borrowers. The values for the five lending field variables would be .2, .2, .2, .2, and .2. Then, I form the interactions of director backgrounds and lending fields by multiplying, respectively, across the associated background categories and lending fields, the results of step one and two. For our exemplary bank and year, the values for the five background-by-field interactions would be .1, .06, .02, .02, and 0. Summing over the values of these five interactions, and then taking the square root form a summary measure of relevant experience.

Interactions of Management Stock Ownership and Board Demography are included to test whether the impact of a strong board differs when managers are owners. I hypothesized that management stock ownership would improve performance; hence, there should be less need for the oversight of a strong board. A negative interaction term in predicting performance would be evidence of this. On the other hand, I expect that when performance problems do occur, owner-managers will not cope as well as other managers. So, I anticipate a stronger role for directors, and thus a greater impact of board strength, when management holds stock and problem do occur, evidenced by negative interactions in predicting poor performance.

Additional Control Variables

Management Strength and Experience Because we are interested in how ownership influences actions taken by managers, I include comparable measures of size and tenure for the top management team as controls. Size is a simple count of the number of employees in the positions just mentioned. Tenure is the average number of years managers held their positions. Note that I do not use the total years in the bank for the measure of management tenure, as this might include years for which individuals did not have loan responsibility, and hence over-estimate the strength of management relative to the board. I also control for the average number of years in banking among the top management team as an additional measure of management experience.

Director Turnover is computed in the same way as for managers.

Director Tenure is the numerical average of time served on the bank's board for all directors serving in a given year.

Fixed firm and year effects For statistical purposes, as described in the next section, I control for differences in bank policies and in economic conditions over time by including dummy variables both for firms and years.

Statistical Methods

Statistical analyses were conducted on nine years of cross-sectional records (from 1979 to 1987) for all 132 California banks in the dataset. Given that banks that were purchased or otherwise went out of business during the period were excluded from the study, the potential for bias toward those institutions that were under severe financial

pressure or were otherwise mismanaged has been reduced. To test the predictions of the hypotheses, I employed a panel regression estimator. This procedure allowed us to account for the effect of years, individual banks, and other specified control variables. The selection of this technique was primarily based on the theoretical consideration that effects of escalation reside within firms and occur over time. That is, we are interested in explaining processes (e.g., board strength influencing coping) that occur within firms over time rather than factors (e.g., geographic region) that determine which banks had the highest levels of write-offs.

As such, we do not want our estimates to be biased by between-firm variation on variables that cannot be observed⁵. Such unobserved heterogeneity could arise due to differences among firms in omitted variables that are constant over time, such as different initial conditions. Or, unobserved heterogeneity might result from differences over years in omitted variables that are constant over firms, such as changes in economic conditions. These omitted variables could affect both independent and dependent variables (as a common cause), biasing estimates of our parameters (capturing the relationship between independent and dependent variables). [For example, some banks may have more management ownership and more write-offs due to differences in histories or strategies.]. To eliminate any spurious effects due to unobserved differences among firms I included

⁵ Autocorrelation may also bias parameter estimates because of factors that change over time within firms, but are not included in the model. For example, firms may have cycles of lending practices that have naturally evolving patterns that change in coherent, but unforeseeable ways over time. Therefore, for each of the models reported I internally estimated the effect of a serial correlation term in a first-order autoregressive model, as described in Hsiao (1986, p.54-55), after controlling for the lagged independent variables. In none of these analyses did I find significant residual autocorrelation.

fixed firm effects. That is, I included a dummy variable for each firm, giving each firm its own mean, or constant, on all of the independent variables and the dependent variable. This fixed-effects approach is used rather than the alternative random effects specification sometimes used in panel regression because I have virtually the entire population of California banks operating over our nine-year observation period rather than a random sample.

In the analysis of performance, problems, and coping used to test hypotheses H1-H3, with fixed effects included for both the firm and year controls and lagged independent variables as predictors, the dependent variable (ROA, adjusted Net Loan Loss, adjusted Provision for Loan Loss) for bank i at time t , $y_{i,t}$, is modeled as:

$$\begin{aligned}
 y_{i,t} = & \alpha_i + \gamma_t + \lambda \cdot \text{STK}_{i,t-1,\text{man}} + \psi \cdot \text{TO}_{i,t-1,\text{man}} + \varphi \cdot \text{STK}_{i,t-1,\text{man}} \cdot \text{TO}_{i,t-1,\text{man}} \\
 & + \sum_{j=1}^J \beta_j \cdot x_{i,t-1,j} + \sum_{j=1}^J \delta_j \cdot x_{i,t-1,j} \cdot \text{STK}_{i,t-1,\text{man}} \\
 & + \sum_{k=1}^K \theta_k \cdot z_{i,t-1,k} + \varepsilon_{i,t}
 \end{aligned}$$

In this equation, α_i is the effect, or intercept, of firm i : $i = 1 \dots N$, where N is the number of banks; γ_t is the effect, or intercept, of year t : $t = 1 \dots T$, where T is the number of years. The within-firm slope of management stock ownership, pooled over all firms and all years, is represented by λ , and allows us to test H1, regarding performance and commitment. While ψ is the slope for management turnover, and φ parameterizes the interaction of management stock ownership and turnover. Taken together, the latter two parameters test H2, respectively, regarding coping with poor performance and

commitment. Board demographic variables, $x_{i,t-1,j}$, have within-firm slopes captured by $\beta_j, j=1\dots J$, while interactions of management ownership and board strength and parameterized via δ_j , allowing us to test hypothesis H3. Remaining control variables are denoted by $z_{i,t-1,k}$ and have within-firm slopes of γ_k . Controls include management size, experience, and tenure, as well as director turnover. For the analysis of coping with problem loans, I include prior allocations to loan loss reserve to control for the level of problem loans subject to coping and write-off. Lastly, $\varepsilon_{i,t}$ is a normally distributed error term.

The strict assumptions of the normal regression model are violated, because our primary dependent variable is skewed and only approximately continuous (adjusted write-offs is defined as continuous, though bounded). While the truncation and skewness are potentially problematic, these features are shared by the independent variables or are accounted for by the firm effects, allowing us to make the a priori working assumption of symmetric disturbances. In other words, it is the between-firm distributions that are skewed, and not the within-firm distributions. I confirmed the validity of this assumption with diagnostic plots in a post-hoc residual analysis (not reported here).

The remaining issue in obtaining the fixed-effects estimates is that of colinearity among the predictor variables. I might have expected some of the independent variables to be correlated within firms over time. For instance, larger boards have more room for diversity. Table 2 displays first-order correlations among all of the variables used in our analyses. The correlations among all of our independent and control variables are quite

modest.

Results

Table 3.1 contains the results of the panel regressions. There are three dependent variables, each capturing an aspect of performance, problems, and coping. The models in the first two columns predict ROA, a measure of positive performance. The third model, in column 3, predicts problem loans, operationalized as adjusted Net Loan Loss. Provision for loan losses, adjusted for total loans, is the dependent variable in the fourth column, and represents coping with existing loan problems. The rows of Table 3.1 are segmented into four sets of predictor variables. The first set, in rows 1-3, contains management stock ownership, turnover, and the interaction between ownership and turnover of managers. Measures of board strength comprise rows 4-7, while the interactions between board strength and management stock ownership are found in rows 8-11. The fourth set of variables contains the remaining within-firm controls, in rows 12-17. Row 18 gives the change in within-firm R-square attributable to the predictor (excluding control) variables in the column. The overall R-square of each model, including both reported and unreported controls, appears in row 19, and the number of bank-years is shown in row 20.

Looking first at the results for predicting ROA in column 1, positive main effects indicate an improvement in performance. Managerial ownership improves ROA, while turnover hinders profitability according to this measure, as seen from rows 1 and 2 respectively. There is no significant interaction between management turnover and

ownership on ROA, in row 3. Looking at board strength, homogeneous and independent boards boost ROA, while the remaining effects are insignificant. Now look at the interactions in rows 9 and 10. Management stock ownership interacts negatively with the significant board strength measures. Thus, it appears that management ownership reduces the impact of the board of directors. When managers are owners, there may be fewer agency problems for directors to remedy.

Column two is the result of adding a variable to the model for the quadratic term of managerial ownership. This tests the prediction of H2b, that there is a turning point where additional managerial ownership actually reduces bank performance due to managerial entrenchment. The results show a diminishing rate of increase in performance as more of a corporation's stock is held by owners. However, there is no point in the realizable range (0-100%) of stock holdings by managers at which additional ownership leads to poorer performance. The coefficient on the quadratic term is simply too small relative to that on the linear term. Hence, the combined effect of stock ownership is one of diminishing returns, but not of entrenchment. However, there is no indication that at any point additional ownership leads to poorer performance.

Turning to the results for loan losses in columns 3 and 4, note that in these models negative main effects indicate fewer problems and better coping with problems, respectively. Management turnover worsens write-offs, replicating the finding of prior research in this area. Staw et al (1997), and I in chapter two, interpreted this effect as evidence of disengagement from a previous course of action that occurs when managers

responsible for, and committed to, the prior course leave the bank. Stock ownership by managers also increases both loan loss measures, as does the interaction of ownership and turnover, implying that persistence is magnified when managers are also owners.

Main effects of board strength on loan losses, in rows 4-7 of the second and third columns, are uniformly negative, and significant in nearly all instances. Stronger boards, as expected from prior research, improve loan problems overall. Interactions of board strength and management ownership, in rows 8-11, are negative---indicating that directors do have an agency role when owner-managers run into performance problems. Strong directors help managers who have an ownership stake cope with problems, acting to advise and counsel them.

In sum, management stock ownership improves overall performance, as measured by ROA, and lowers the importance of a strong board in monitoring management. However, ownership by managers worsens loan problems, largely through worsening how owner-managers cope with problem loans when escalation of commitment hinders that coping. A strong board helps alleviate problems caused by the magnified commitment that owner-managers feel.

Discussion

Since the early writings of Berle and Means (1932), the dispersion of corporate ownership and the separation of ownership and control have troubled scholars in management and economics. Yet at the time of Berle and Means, less than 5% of U.S. households held corporate stock. Today, the number of households invested in the stock

market exceeds 40%. Although shareholder activism is on the rise, much of that is dominated by institutional investors (pension funds, mutual funds, etc) who are themselves agents for owners once-removed. As a result, management stock ownership remains a primary vehicle for aligning the interests of those who control corporations with those who own them, at least in economic theory. According to agency theory, owner-managers should refuse to settle for short-term gains under circumstances where investing for the long-term improves the survival prospects of the firm. Further, the monitoring role of the board of directors should be reduced, due to the marriage of ownership and control.

I mixed a managerial perspective on commitment with agency ideas to make more robust predictions. By increasing managers' commitment and motivation, ownership invalidates agency theory's assumption of a trade-off between risk-aversion and short term performance on one hand, and risk-acceptance and long-term corporate health on the other. Instead, banks where managers held more stock saw higher short-term ROA⁶. However, there was a negative side to the increased level of commitment on the part of management. By pursuing more risky loans with greater commitment, owner-managers coped worse when those loans went sour. As a result, a strong board that had less of an overall impact nevertheless played an important role in setting over-committed owner-

⁶ An alternative hypothesis to the ownership leads to performance explanation is that managers, in anticipation of higher performance, increase their holdings of stock. This hypothesis, while plausible, would mean that the managers are acting illegally, based on insider information.

managers back on course when loan problem did occur.

CHAPTER 4
BOARD OF TRUSTEE DEMOGRAPHY AT INDEPENDENT COLLEGES: ITS ROLE
IN PERFORMANCE AND POLICY DECISIONS

Introduction

In Jensen and Mecklings' seminal work on the theory of the firm (1976), they write that, "The problem of inducing an agent to behave as if he were maximizing the principal's welfare is quite general. It exists in all organizations and in all cooperative efforts – at every level of management in firms, in universities, . . .". While research on the agency relationships of for-profit corporations has received increasing levels of attention in recent years, not-for-profits have been largely ignored.

Independent universities and colleges have faced significant challenges during recent years. They have found themselves in an increasingly competitive environment where there are fewer traditional students (Ford, 1990) available to attend all institutions. In a sign of the increase in competition, during the 1960's, roughly half of all undergraduates attended private colleges and universities. In 1992, that number had dropped to 17% (Lord, 1995).

At the same time, government assistance to students through grants and loans has been sharply reduced. Furthermore, other environmental changes, such as the need to provide costly technological support for the education of the students and, for some

schools, the expansion of a junior college system or a for-profit institution into formerly protected territory, have placed a burden on the leadership of independent colleges. For many of these schools, the challenges are significant enough to threaten their existence.

The intent of this study is to test the reach of agency theory research in the area of independent universities and colleges by investigating the relationships between changes in the demographics of their governance structures and institution performance.

Theory

In its most general form, an agency relationship occurs whenever one individual depends on, or engages, another to perform some service. In such a relationship, the doer is known as the agent while the affected party is called the principal. Given that the agent is a utility-maximizer, is granted decision-making authority (Fama, 1980), and that there are asymmetric levels of information between the two parties (Eisenhardt, 1989), there is reason to believe that the agent will not always act in the best interest of the principal (Berle and Means, 1932).

The association between the owners and managers in an open corporation fits this description of an agency relationship. The owners, also known as shareholders, put up the capital necessary to fund the organization. In return, they receive the residual claims, or profits, that remain after all other claimants are paid. The shareholders are also unrestricted in the sense that they do not need to be involved in the organization in any other way. They are specialists, then, in accepting the risk of capital loss in return for the

potential of gain from residual profits. Managers, meanwhile, perform the decision-making function for the organization. They develop the strategic plan for the firm and determine the best method of implementation. In a complex organization, success requires specialization of the decision-making process apart from ownership and also by function, such as management, marketing, and finance. Those with valuable training and knowledge in a particular area are given the responsibility to make decisions in that area, and the decision-making system becomes complicated and hierarchical.

Berle and Means (1932) were among the first to theorize about the characteristics of this relationship. As the capital demands of the firm increase, it requires a greater number of owners to fund the expansion. As ownership becomes more diffuse, each owner owns less of the total firm so any gains or losses have less impact on any given owner. In this way, the motivation to be involved decreases and the owners become passive. At the same time, specialization increases and the owners lose the ability to understand what sort of decisions should be made and whether management has made good decisions. The power lost by the owners is transferred to the professional managers who determine corporate strategy and implementation. The interests of these managers often diverge from those of the owners (Jensen and Meckling, 1976). Managers maximize a utility function based on compensation, power, security, and status as its central elements (Marris, 1964; Williamson, 1964). Owners are interested in maximizing efficiency (Hill and Snell, 1989). When considering risky but potentially very rewarding projects, managers fully participate in bearing the risk of failure, but may receive little or no gain if the project proves successful (Fama and Jensen, 1983). Their perspective,

then, is focused more on short-term results and the status quo. Owners, meanwhile, are the beneficiaries of the gains from successful ventures and are, then willing to accept a riskier and longer-term position for the firm. The agency problems stemming from these divergent utility functions and exacerbated by the dispersion of both owners and management can be reduced by separating the control or monitoring function of the decision-making process from the implementation function. This separation necessitates the addition of a third group so that the same people are not responsible for both making the decisions and evaluating them. In the corporation, this third group is the board of directors. As a body, it is their responsibility to perform the internal control function of the organization.

Not-for-profit Organizations

In a not-for-profit organization, there are no residual claims to be paid out and no owners expecting to earn a profit. Thus, the agency relationship between owners and managers is absent from these organizations. Furthermore, without residual claims or stock, there is no need for management to worry about the organization being bought or sold in the marketplace. These conditions may suggest that managers in a not-for-profit organization have increased opportunity to pursue self-interest (Dyl, Frant, and Stephenson, 1996). However, somewhat taking the place of the owners are the donors of the organization. They contribute to the organization with the expectation that something good will result, such as lives being saved, the environment cleaned up, or people educated. While it is not financial, they anticipate a return from their investment and will invest elsewhere if their expectations are not met. Often, the largest donors also become

board members of the organization.

Although the function of not-for-profit board is similar to for-profits, there are some differences that are a result of the absence of residual claims. For example, in for-profits, the threat of outside takeover provides the discipline to allow insiders to play a significant role on the board. Without this threat, in order to prevent collusion or expropriation of funds, not-for-profit boards should be dominated by outsiders (Fama and Jensen, 1983). Furthermore, not-for-profit board members are often substantial donors who serve without pay. Since this shows their interest in the well being of the organization, it may be assumed that they will take their decision control task seriously. This is particularly important within boards of colleges and universities. As put by the board member of one university, “the first item on every [board meeting] agenda should be whether to fire the president” (Corson, 1960). The decision control role of not-for-profit boards, then, is the same as that of the for-profits. In general, not-for-profit boards also have a special responsibility for generating and managing financial resources. They are often called on to personally contribute to the institution, lead campaigns to encourage others to contribute, and manage the financial resources held by the institution (Rauh, 1969). Together, these two responsibilities, decision control and financial management, are among the most important duties of the boards of private universities and colleges.

Hambrick and Mason (1984) contended that experience and values, and therefore performance, could be inferred from the demographic characteristics of the members of the top management team in an organization. Since then, demographics has, been used to

study and predict organizational innovation (Bantel and Jackson, 1989, strategic change (Wiersema and Bantel, 1992), and organizational performance (Michel and Hambrick, 1992; Hambrick and D'Aveni, 1992). Based on this rich history of relationships, I use the demographic profile of the boards to predict performance in this study.

SIZE

Among private colleges and universities, the size of boards can vary from an average of five members at Catholic institutions to an average of 27 members at other church related institutions (Rauh, 1969). It is presumed, then, that the size of private college boards varies greatly. Little, though, has been written on the effectiveness of these groups based on their size. From an agency perspective, larger groups have more cognitive resources and knowledge (Bantel and Johnson, 1989; Hambrick and D'Aveni, 1992) and access to more information sources and resources (Hambrick and Mason, 1984) resulting in a larger repertoire of possible practices and greater adaptability (Katz, 1982). As a result, as a board increases in size, it should have a greater monitoring capacity (Murray, 1989) and be able to access more resources for the organization. Within the context of a private university, this access may be useful in drawing additional financial resources to the institution.

H1: Increased board size should increase total revenue and gift income.

TENURE

Greater board tenure should also increase the board's ability to use information

and make it less likely to be persuaded by self-interested arguments of managers. As individuals stay in an organization, they become increasingly confident that they know how to do things the right way (Wanous, 1980). Hence, a board that has been in place longer, is likely to be a stronger, more productive board. Furthermore, in chapter 2 I found that long-tenured boards were subject to increased levels of escalation of commitment. In the not-for-profit sector, board members are generally expected to be personally committed to the success of the organization (Fama and Jensen, 1983), and in private universities, this commitment includes financial contributions to the institution (Ingram, 1980).

H2: Increased board tenure should increase total revenue and gift income.

In for-profit institutions, the existence of a relatively long-tenured chief executive can provide more power in the hands of management versus the board. In chapter 2, long-tenured management was strategically persistent in their handling of bad loans. More generally, in for-profits at least, long-tenured chief executives may have more influence on the selection and retention of the members who sit on the board (cite). Such influence may diminish the board's ability to effectively fulfill their roles of monitoring and controlling management and the organization as a whole. While not-for-profit boards are generally self-perpetuating, the long-tenured college president may still influence the selection of new board members and may be more adept at covering up poor performance.

H3a: Increased presidential tenure should decrease total revenue.

However, the relationship between management and board and the roles of each in not-for-profits are different in important ways from those of for-profits. For instance, boards of private universities are generally self-perpetuating and contain few, if any insiders. This encourages a board that is independent from the president, reducing the potential of board weakness when facing a long-tenured president. With the assurance of a strong board, a long-tenured president may develop an increasing sense of ownership in the success of their institution. If so, this ownership may have the same effect as in chapter 3, leading to better overall performance for the institution.

H3b: Increased presidential tenure should increase total revenue.

BUSINESS EXECUTIVE BACKGROUND

Boards of trustees at private universities are made up of individuals who presumably have backgrounds in many areas such as education, religion, and law. Many trustees report that they are ill prepared for the financial role that they ought to play for their institution (Ford, 1990). Some, however, have education and experience in organizational decision making, corporate strategy, fund-raising and financial management. Such experience gives them exposure to making difficult and complex managerial and financial decisions and better understanding and access to financial

markets and resources. Such experience has led to the financial success in for-profit institutions (Boeker and Goodstein, 1991). At Princeton University, a board member with professional investment experience is credited with making decisions which led to the relatively large size of the school's endowment (Bowen, 1994).

H4: Board business executive experience should increase total revenue.

HOMOGENEITY

Homogeneous teams have been seen as more efficient (Hambrick and Mason, 1984; Murray, 1989), because members of homogeneous teams know what to expect from one another (Pfeffer, 1983) and do not have the problems associated with dissimilar experiences, backgrounds, beliefs, and values (Wiersema and Bantel, 1992).

Homogeneous background experience was found to lead to better performance on tasks that do not require creativity or innovation (Ancona and Caldwell, 1992), such as financial performance in high-tech firms (Smith et al, 1994), and a lower loan losses in banks (chapter 2). Further, homogeneous teams tend to communicate more (Murray, 1989), and to be higher in social cohesion (Lott and Lott, 1965). Combining these findings, a more homogeneous board is likely to be stronger and more adept at decision control.

H5a: Increased board homogeneity should increase total revenue.

On the other hand, heterogeneous groups have a greater variety of sources from which to gather information (Hambrick and Mason, 1984). This variety can lead to greater diversity and comprehensiveness in the set of recommended solutions to a problem. Heterogeneous educational specialization was found to lead to strategic change (Wiersema and Bantel, 1992), and greater political activity (Pfeffer, 1981). When reaching out in fund raising activities, these attributes may lead to favorable institutional results.

H5b: Increased board heterogeneity should increase gift income.

Method

Data Sources

The data for this research were collected from each participating institution within the Council of Independent Colleges (CIC). This is an administrative body that attracts as members, independent colleges and universities from across the United States. The duty of CIC is to provide support and direction for member institutions and act as a clearinghouse for relevant research studies and political action. In order to collect the information, a preliminary questionnaire was sent to the CIC for review. After a first round of revisions, the questionnaire was sent to a test school that was not a part of CIC but whose leadership has been involved in board research at the university level. The

feedback from this test was given to the CIC along with a second draft of the questionnaire. The board of the CIC then conducted a multiple school pretest of the questionnaire. From the pretest, final changes were made to the questionnaire (see appendix A) before mailing it to the president of each member institution.

Accompanying the questionnaire was a letter of endorsement from the president of CIC and a postage-paid return envelope. Also included was a letter of introduction, which explained the nature of the study and assured both anonymity and confidentiality. The survey itself was partitioned into four sections in order that each institution could collect and organize responses accurately and efficiently by those with the best access to the information. The four sections were based on institution financial information, student demographics and school information, board and president characteristics, and individual board demographics, respectively. Each section requested information for the five contiguous years from 1991-1995. Of the 420 institutions, 43, or 10.2%, returned completed and usable questionnaires.

Dependent Variables: Financial Performance

One of the primary duties of the board of an educational institution is managing its financial performance. According to Ingram (1980), "Trustees are in a better position than any other group to preserve and improve the financial health of the institution", and Rauh (1969), "The board of a private college carries the primary responsibility for financing its operation is widely held". Ingram goes on to propose that the top guideline for university board effectiveness is to, "Legitimize the program for obtaining resources". Securing financial resources, then, is a primary objective of boards and a reasonable

measure of their effectiveness.

Two financial measures, total revenue and gift income, are used as performance indicators.

Total revenue is very broad. It is all the money brought in during the academic year and includes tuition and student fees, government grants, and other sources of revenue.

Gift income measures the amount of money collected through donations in a given year. Board members are often expected to contribute funds to their institution (Fama and Jensen, (1983). At private colleges and universities, nearly 90% of all responding board members said they were involved in the fund-raising plans of their institutions (Rauh, 1980) and about a third of all board members personally contribute to the capital campaigns of their institutions (Radock, 1977). Board members, then, can make personal contributions to their institutions and are an excellent resource for encouraging others to do the same.

Independent Variables: Board Strength

The agency theory literature on boards of directors uses a number of demographic measures to estimate board strength. Several are borrowed to test for board performance and strength here. Size is a simple count of the number of directors on the institution's board in a given year. Tenure is computed by taking the numerical average of years served on the school's board for all directors serving in a given year. Business executive experience is computed as the percentage of directors on the institution's board in a given

year that are business executives.

Homogeneity

Because homogeneity is a multidimensional construct (O'Bannon and Gupta, 1992), two dimensions are examined in this study: variation of functional background and variation of ethnicity. Functional homogeneity was measured by coding directors into the following categories: clergy, law, government, education, medicine, self-employed, agriculture/farming, homemaker, business-finance, business-senior executive, business-other, other, and retired. Next, an index of functional homogeneity was computed for each institution in each year as follows. . For firm i in year t , I denote the number of directors with a background in occupation type j as $n_{it,j}$ and the total number of directors aggregated over all occupations ($j=1...13$) as n_{it} . The proportion of bank i 's directors of background j , out of the total board size, is denoted $p_{it,j}$ and given by $p_{it,j} = n_{it,j} / n_{it}$. Each $p_{it,j}$ is squared and then the sum is taken over all j , resulting in the index of diversity, y_{it} , so that:

$$y_{it} = \sum_{j=1}^J p_{it,j}^2.$$

This is equivalent to subtracting from unity the index of heterogeneity popularized by Blau (1977).

Ethnicity was measured by coding directors into the following categories: Caucasian, African American, Asian, Hispanic, Native American, and other. Next, an

index of ethnic homogeneity was computed for each institution in each year using the same method as above.

Statistical Methods

Statistical analyses were conducted on five years of cross-sectional records (from 1991 to 1995) for all 43 colleges and universities in the dataset, creating a sample size of 215 panels of data to draw from. To test the predictions of the hypotheses, I employed a panel regression estimator. This procedure allowed us to account for the effect of years, individual schools, and other specified control variables. The selection of this technique was primarily based on the theoretical consideration that effects of demography reside within firms and occur over time. That is, we are interested in explaining processes (e.g., board strength influencing performance) that occur within institutions over time rather than factors (e.g., age of institution) that might determine which institutions had the highest endowments.

As such, we do not want the estimates to be biased by between-firm variation on variables that cannot be observed. Such unobserved heterogeneity could arise due to differences among firms in omitted variables that are constant over time, such as different initial conditions. Or, unobserved heterogeneity might result from differences over years in omitted variables that are constant over firms, such as changes in economic conditions. These omitted variables could affect both independent and dependent variables (as a common cause), biasing estimates of our parameters (capturing the relationship between independent and dependent variables). [For example, some schools may have “weaker” boards and lower revenues due to differences in histories or strategies.]. To eliminate any spurious effects due to unobserved differences among institutions, a random school effect

was included in the model. That is, I included a parameter to capture the variance between schools. This random-effects approach is used rather than the alternative fixed-effects specification sometimes used in panel regression because the sample does not include the entire population, but does appear representative on most school characteristics. Autocorrelation may also bias parameter estimates because of factors that change over time within firms, but are not included in the model. For example, firms may have cycles of lending practices that have naturally evolving patterns that change in coherent, but unforeseeable ways over time. To control for this, I included a lagged dependent variable as a predictor in each model. For each of the models reported I then also estimated the effect of a serial correlation term in a first-order autoregressive model, as described in Hsiao (1986, p.54-55), after controlling for the lagged independent variables. In none of these analyses did I find significant residual autocorrelation.

Results

Table 4.3 contains the results of the panel regression. There are four dependent variables, each capturing an aspect of performance. The model in the first column predicts total revenue for the institutions. This is the sum of all the financial resources collected by the institution during a given year. The following two columns represent the amount and number, respectively, of total gifts given to the institution in a given year. These gifts may include annual unrestricted gifts, capital expansion gifts, deferred gifts and other miscellaneous gifts. Endowment gifts is the dependent variable in the fourth column. The rows of Table 3 represent each of the predictor variables in the study.

Looking first at the results for predicting total revenue in column 1, positive main effects indicate an improvement in performance. Rows 1, 2, and 3, the number of

members on the board, the average tenure of board members, and the percentage of board members with business executive experience, respectively, are indicators of board strength. While two of the three, average tenure and business executive experience, are statistically significant, in all three cases the sign is positive, indicating a positive relationship between board strength and revenue. Looking at columns 4 and 5, we find that a more homogenous board with respect to functional background decreases total revenue but a more ethnically homogenous board increases total revenue, although neither relationship is significant. Column 6 identifies presidential tenure as not being a significant predictor of total revenue.

Columns two, three, and four represent somewhat more specific measures of institutional performance. Column two measures the effect of the predictive variables on the total dollar amount of gifts given in a given year. Using this measure, board strength remains a positive predictor of performance but the significant variables change. Board size is now a positive significant predictor of performance while business executive background is no longer significant. In this model, the remaining relationships are significant with functional homogeneity, ethnic heterogeneity, and presidential tenure each predicting more gift revenue. Column three shows the predictions of the number of gifts, rather than the dollar value of gifts as in the previous column. These results are somewhat similar to column two, with board size, average tenure, and business executive experience all pointing to board strength and a greater number of institutional gifts, although only size and tenure are significant. Ethnic homogeneity is the only other significant variable, with more diversity predicting more gifts. The fourth column

measured the predictors' effect on the dollar value of endowment gifts. Board size was the only measure of board strength that was significant, with additional members predicting more endowment gifts. As with column two, functional homogeneity, ethnic heterogeneity, and presidential tenure each predicted more money in the form of endowment gifts.

In sum, board strength, as measured by number of members, average length of term in office, and the percentage of members with business executive experience, improves institutional performance in the private college setting. This was especially true as measured by total number of gifts given to the school, and, to a somewhat lesser extent, when measured by total dollar value of gifts and total revenue. Presidential tenure improves performance in endowment gifts and total gifts to the institution. And, heterogeneity with respect to ethnicity improves performance while heterogeneity with respect to functional background decreases performance.

Discussion

The results of this study demonstrate that the composition of the board influences the performance of the institution within this sample of private colleges and universities. As a sample, these schools tend to be small and many of the institutions have an affiliation with a particular religious denomination or sect. However, these biases pose little reason to doubt the external validity of the results on the population of private schools.

Some of the observed effects fit well with an agency theory perspective on governance. For example, strong boards appear to gain the favor of more gifts and draw

more revenue to their institutions than do weak boards. This relationship may be explained by the board's increased focus on their facilitation role. Since managers within the academic setting may have less understanding of and experience with the outside business world, it is important that the board provide insight and expertise in these matters. With this focus on the external environment of the institution, more pertinent members, and simply more members, provide access to better and more sources of key resources.

However, some of the results extend outside of the existing agency theory framework. In the existing literature, long-tenured senior managers have more control over the board and are generally associated with strong management or a weaker board. The prediction is that agency costs would rise and organizational performance would drop (chapter 2). Here, however, increased presidential tenure enhanced institutional performance. There are many possible explanations for this result. It may be that not-for-profit boards retain a greater independence than do for-profits so that presidential tenure does not diminish board strength. I suggest an alternative explanation. Not-for-profits operate with a fundamentally different mission than for-profit organizations. Broadly speaking, this is to serve a particular social cause. The compensation package of these organizations tends to be less monetary and more altruistic than at for-profits. Therefore, they tend to attract people who are motivated by the mission of the organization rather than by large salaries or material perquisites. Furthermore, as members continue their relationship with the organization, their commitment to the organization should naturally develop. This would explain why presidential tenure may

be associated with decreasing agency costs rather than increasing costs. With this in mind, an important variable to consider in further research is the alumni status of board members. The suggestion here is that board members who attended the institution would be more committed to the institution and, therefore, more effective members of the board. Returning to presidential tenure, this commitment effect would help to explain why boards in these organizations are most effective when they are so large. If presidents are largely altruistic, the board does not have to concentrate as much on its monitoring role, which is inward looking and may require a smaller group which functions more as a team. Instead, each member may act relatively independently, which works well when the primary function of the group is externally-focused.

Overall, the results of the study point out the importance of agency theory and the examination of boards in the not-for-profit sector. Within this sector, private colleges and their governance structures are well-established and relatively comparable across institutions. This cross-section also provides a reasonable proxy for the ambiguity between principle and agent in the not-for-profit sector. However, there are limitations to the generalizability of the study. For instance, many not-for-profit industries are less well-developed than are private colleges. Others may be classified as not-for-profits for tax purposes but act as for-profits in every other way. Furthermore, revenue-based measures of performance may be of little importance in many not-for-profits. As an exploratory study, however, there are reasonable inferences to be drawn from the present study.

CHAPTER 5

CONCLUSION

The following is a summary of the most important findings in these papers.

The first study tested the effect of board strength on the agency relationship. In the study, data on California banks from 1979-1987 were used to test the effect that board strength had on the acquisition and subsequent write-off of problem loans. The results provide ample evidence that board strength makes a difference. Some of the observed effects fit well with an agency theory perspective on corporate governance. For example, when banks acquire a stronger board, they incur fewer loan delinquencies and loan losses. This is expected, given that a strong board will act more accountably and with greater oversight. However, some results fit less well with the agency theory framework. When considering changes in the level of loan write-offs, board strength was associated with lesser increases when management turned over but larger increases when there were replacements in the board itself. This suggests that board members are susceptible to escalating their level of commitment in the same way that managers are. The implication is that although agency theory holds that the board is in place to serve the owners, the board itself acts as an agent. Thus, it too is a self-serving body.

The second study examined the relationship between management ownership and corporate performance. When managers become owners, agency theory predicts that there is an alignment of the interests between managers and the owners of the

corporation. They will be willing to take on higher levels of prudent risk and the corporation will be more profitable. However, this relationship may be non-monotonic. As the percentage of stock controlled by management increases, the monitoring role of the board is reduced. This secondary force may, at some level of ownership, overwhelm the alignment of interests, leading to poorer organizational performance. Using same time-series data on California banks as study one, I tested the effect that management stock ownership had on subsequent return on assets, loan losses, and coping with loan losses. In support of the alignment of interest argument of agency theory, increased levels of management ownership led to higher levels of ROA and loan losses in the banks. Although it was a diminishing function, it was monotonic. So, there was no point at which additional levels of management ownership did not lead to better organizational performance. However, ownership did increase management's commitment to bad loans, making it more difficult for existing managers to write off loans that had gone bad.

The third study turned focused attention on a generalization of the agency model away from the owner and manager model to the not-for-profit sector. Using data gathered from private colleges and universities, I examined the relationship between board of director and presidential demography and school performance as measured by revenue, endowment, and gifts to the college. The results provide mixed support and direction for the extension of agency models to the not-for-profit sector. Schools with a strong board, as measured by tenure and functional background in regards to business executive experience, were able to garner more revenue and, in some cases, more gifts, more endowment money, and greater gift income. However, contrary to agency

predictions, presidential tenure led to more gifts and greater gift income. These findings suggest that while boards play a significant role in performance of not-for-profits, it is a different role from that of a corporate board. Rather than having to monitor management, the primary role of the not-for-profit board is to provide access to resources for both the institution and its management.

APPENDICES

Appendix 1: Tables

Table 2.1
Descriptive Statistics: Characteristics of Banks' Boards, Top Management Teams, and Loan Portfolios

	Mean	Standard deviation	Min	Max	No. of Bank-Years
Board Size	7.6392	2.5784	2	19	1056
Board Homogeneity	.3217	.1630	.12	1	1055
Board Tenure	8.3543	4.7587	0	27	1056
Board Independence	.8704	.1030	0	1	1056
Board Relevant Experience	.1124	.1062	0	.4538	1056
Board Turnover	.6353	1.2394	0	9	1056
Management Size	3.9353	1.6624	1	12	1051
Management Tenure	5.6864	4.4072	0	31	1051
Management Experience	21.9056	8.2859	0	57	1051
Management Turnover	.6013	.9175	0	7	1051
Adjusted loan loss reserve	.0120	.0099	0	.0978	1185
Adjusted Prov for loan loss	.0075	.0094	0	.1188	1185
Adjusted net loan loss	.0062	.0108	0	.1562	1185
Adjusted Delinquent Ins	.0418	.0354	0	.2824	444

Note—132 banks observed over a 9 year period (79-87). All measures are taken over all bank-years except where data were missing from the Findley Reports. Turnover measures taken over bank-years with at least 1 person in the relevant group.

Table 2.2
Within-firm Correlations among Characteristics of Management and Directors

Variable	1	2	3	4	5	6	7	8	9
1. Board size									
2. Board homogeneity	-0.2802								
3. Board tenure	-0.1791	0.0439							
4. Board independence	-0.0288	-0.2564	0.1232						
5. Board relevant experience	0.0715	-0.1103	0.0482	0.0238					
6. Board turnover	0.4091	-0.0795	0.1184	0.0385	0.0207				
7. Management size	-0.0905	0.0111	0.1689	-0.0684	0.0170	0.0075			
8. Management tenure	-0.0110	-0.0550	0.4216	0.0230	0.0321	0.0336	-0.0853		
9. Management experience	-0.0067	-0.0544	0.0950	-0.0783	0.0177	0.0115	-0.0378	0.2710	
10. Management turnover	0.0765	-0.0309	0.0412	-0.0293	-0.0334	0.2608	0.2674	0.0703	0.0133

Table 2.3
Results of Panel Regressions: Effects of Board Demography and Director Background on Problem Loans

Independent Variables at time t-1	Dependent Variable= Adjusted Loan Delinquencies	Dependent Variable= Adjusted Net Loan Loss
1. Board size	-.0354 (.0135)*	-.0494 (.0285)*
2. Board homogeneity	-.3508 (.1618)*	-.5862 (.2540)*
3. Board tenure	-.0354 (.0231)	-.0403 (.0204)*
4. Board independence	-.8725 (.4775)*	-.8525 (.3269)*
5. Board relevant experience	-.9997 (.4678)*	-1.7150 (.9787)*
6. Management size	-.3992 (.3201)	-.0255 (.0349)
7. Management tenure	-.0443 (.2591)	.0090 (.0199)
8. Management experience	.0503 (.0767)	-.0124 (.0074)
9. Management turnover	.1414 (.0366)+	.1503 (.0427)+
10 Director turnover	.0345 (.0301)	.0080 (.0322)
11. delta r2 w/in	.0884	.0507
12. R2	.5516	.3533
13. N	438	1049

Notes—Standard errors in parentheses. Significance levels: * = p<.05 1-tailed, + = p<.05 2-tailed, ~ = p<.10 2-tailed. All models include firm and year fixed effects (dummy variables).. Provision for loan loss, loan loss reserve, and loan delinquencies adjusted for total loans.

Table 2.4

Results of Panel Regressions: Effects of Board Demography and Director Background on Coping with Problem Loans

Independent Variables at time t-1	Dependent Variable = Adjusted Provision for Loan Loss at time t			
1. Board size	-.0529 (.0251)*	-.0445 (.0191)*	-.0541 (.0349)	-.0520 (.0445)
2. Board homogeneity	-.8645 (.3862)*	-.5986 (.2453)*	-.6959 (.3686)*	-1.5017 (.8125)*
3. Board tenure	-.0127 (.0174)	-.0117 (.0183)	-.0115 (.0156)	-.0104 (.0126)
4. Board independence	-1.3300 (.4480)*	-.9172 (.3729)*	-1.1164 (.3833)*	-.4231 (.4710)
5. Board relevant experience	-1.7377 (1.0553)*	-1.3557 (.4099)*	-3.3309 (1.6315)*	-1.7931 (.6540)*
6. Board size x mgt turnover		-.0110 (.0047)*		-.0092 (.0090)
7. Brd homog x mgt turnover		-.0334 (.0265)		-.6039 (.3222)*
8. Brd tenure x mgt turnover		-.0473 (.0087)*		-.0331 (.0090)*
9. Brd indep. x mgt turnover		-1.2104 (.3004)*		-1.7737 (.4920)*
10. Brd rel.exp x mgt turnover		-1.4996 (.8178)*		-2.2620 (1.1283)*
11. Board size x dir turnover		.0181 (.0080)*		.0093 (.0049)*
12. Brd homog. x dir turnover		.1662 (.0937)*		.3765 (.1689)*
13. Brd tenure x dir turnover		.0090 (.0054)*		.0120 (.0048)*
14. Board indep. x dir turnover		.6656 (.3315)*		.6680 (.3779)*
15. Brd rel.exp. x dir turnover		.8112 (.3310)*		.4051 (.1281)*
16. Adjusted loan loss reserve	-3.7608 (4.8198)	-4.4659 (4.7847)		
17. Adj. loan delinquencies			.4380 (.4647)	.1358 (.1393)
18. Management size	-.0209 (.0269)	-.0181 (.0290)	.0807 (.0437)	.0137 (.0384)
19. Management tenure	.0045 (.0169)	.0104 (.0167)	-.0170 (.0308)	-.0392 (.0267)
20. Management experience	.0048 (.0063)	.0024 (.0062)	.0007 (.0109)	-.0111 (.0092)
21. Management turnover	.1900 (.0363)+	1.6619 (.3713)+	.0811 (.0471)~	.0855 (.0578)~
22 Director turnover	-.0120 (.0275)	.7455 (.3614)+	-.0124 (.0380)	.7517 (.0996)+
23. delta r2 w/in	.0563	.0995	.0702	.3747
24. R2	.3874	.4271	.7155	.8087
25. N	1047	1047	410	410

Notes—Standard errors in parentheses. Significance levels: * = $p < .05$ 1-tailed, + = $p < .05$ 2-tailed, ~ = $p < .10$ 2-tailed. All models include firm and year fixed effects (dummy variables). Provision for loan loss, loan loss reserve, and loan delinquencies adjusted for total loans.

Table 2.5
Results of Panel Regressions: Effects of Board Demography and Loan Losses on Management Turnover

Independent Variables at time t-1	Dependent Variable = Management Turnover at time t	
1. Board size	.0463 (.0300)	.0454 (.0326)
2. Board homogeneity	-.1174 (.3406)	-.0914 (.3554)
3. Board tenure	.0157 (.0151)	.0154 (.0157)
4. Board independence	-.2935 (.3951)	-.2765 (.4220)
5. Board relevant experience	-1.8585 (1.1094)~	-1.9570 (1.2316)~
6. Board size x adj. net loan loss		.2790 (1.4815)
7. Board homog. x adj. net loan loss		-.4457 (1.9671)
8. Board tenure x adj. net loan loss		.0920 (.8493)
9. Board indep. x adj. net loan loss		-.8729 (3.4752)
10 Board rel.exp. x adj. net loan loss		.4672 (.7859)
11. Adj. Net loan loss	3.9833 (2.8966)	5.0034 (3.8403)
12. Management size	.2636 (.0243)+	.2631 (.0250)+
13. Management tenure	.0545 (.0148)+	.0544 (.0149)+
14. Management Experience	.0041 (.0056)	.0038 (.0056)
15. delta r2 w/in	.1128	.1135
16. R2	.3571	.3576
17. N	1048	1048

Notes—Standard errors in parentheses. Significance levels: * = $p < .05$ 1-tailed, + = $p < .05$ 2-tailed, ~ = $p < .10$ 2-tailed. All models include firm and year fixed effects (dummy variables).. Provision for loan loss, loan loss reserve, and loan delinquencies adjusted for total loans.

Table 3.1
Descriptive Statistics: Characteristics of Banks' Boards, Top Management Teams, and Loan Portfolios

	Mean	Standard deviation	Min	Max	No. of Bank-Years
Management Stock Percent	.3812	.1607	0	.99	728
Management Size	3.9353	1.6624	1	12	1051
Management Tenure	5.6864	4.4072	0	31	1051
Management Experience	21.9056	8.2859	0	57	1051
Management Turnover	.6013	.9175	0	7	1051
Board Size	7.6392	2.5784	2	19	1056
Board Homogeneity	.3217	.1630	.12	1	1055
Board Tenure	8.3543	4.7587	0	27	1056
Board Independence	.8704	.1030	0	1	1056
Board Relevant Experience	.1124	.1062	0	.4538	1056
Board Turnover	.6353	1.2394	0	9	1056
Adjusted loan loss reserve	.0120	.0099	0	.0978	1185
Adjusted prov for loan loss	.0075	.0094	0	.1188	1185
Adjusted net loan loss	.0062	.0108	0	.1562	1185
ROA	1.7461	1.6037	-2.8222	37.4569	1053

Note—132 banks observed over a 9 year period (79-87). All measures are taken over all bank-years except where data were missing from the Findley Reports. Turnover measures were taken over bank-years with at least 1 person in the relevant group.

Table 3.2
Within-firm Correlations among Characteristics of Management and Directors

Variable	1	2	3	4	5	6	7	8	9	10
1. Management Stock %										
2. Management Size	.0767									
3. Management Tenure	.0279	-.0853								
4. Management Experience	-.0068	-.0378	.2710							
5. Management Turnover	.0116	.2674	.0703	.0133						
6. Board Size	-.0815	-.0905	-.0110	-.0067	.0765					
7. Board homogeneity	.0594	.0111	-.0550	-.0544	-.0309	-.2802				
8. Board tenure	.0135	.1689	.4216	.0950	.0412	-.1791	.0439			
9. Board independence	-.1658	-.0684	.0230	-.0783	-.0293	-.0288	-.2564	.1232		
10. Board relevant experience	-.0529	.0170	.0321	.0177	-.0334	.0715	-.1103	.0482	.0238	
11. Board turnover	-.0664	.0075	.0336	.0115	.2608	.4091	-.0795	.1184	.0385	.0207

Table 3.3
Results of Panel Regressions: Effects of Management Stock Ownership on Loan Write-offs

Independent Variables at time t-1	Dependent Variables at time t		
	ROA	Adj. Net Loan Loss	Adj. Provision for Loan Loss
1. Management Stock %	.0939 (.0430)*	.0926 (.0516)	.1456 (.0385)**
2. Management turnover	-.1468 (.0440)+	.1408 (.0528)+	.1775 (.0393)+
3. Mgt turnover x Mgt. Stock	.0023 (.0024)	.0051 (.0028)*	.0071 (.0021)**
4. Board size	.0147 (.0699)	-.0450 (.0422)	-.0555 (.0320)+
5. Board homogeneity	2.1830 (1.3455)+	-1.3383 (.7743)+	-2.2263 (1.2029)+
6. Board independence	3.5246 (1.7445)+	-.8004 (.6397)+	-3.9271 (1.5596)+
7. Board relative experience	2.751 (2.8807)	-1.9278 (1.4556)+	-1.8782 (1.1685)+
8. Board size x mgt stock %	.0004 (.0715)	-.0031 (.0017)*	-.0020 (.0013)~
9. Brd homogeneity x mgt stock %	-.0479 (.0271)*	-.0683 (.0326)*	-.0189 (.0243)
10. Board independence x mgt stock	-.0768 (.0341)*	-.0206 (.0109)*	-.1322 (.0305)**
11. Board rel.experience x mgt stock	-.0493 (.0715)	-.1527 (.0858)*	-.1027 (.0390)**
12. Management Size	.0764 (.0358)+	-.0394 (.0429)	-.0040 (.0320)
13. Management Tenure	.0052 (.0205)	-.0066 (.0024)+	-.0285 (.0103)+
14. Management Experience	.0030 (.0075)	-.0208 (.0089)+	-.0024 (.0067)
15. Director turnover	.0496 (.0360)	-.0112 (.0432)	.0162 (.0322)
16. Board tenure	-.0497 (.0318)	.0447 (.0227)+	.0725 (.0284)+
17. Adjusted loan loss reserve			-2.6622 (3.1908)
18. delta r2 w/in	.1560	.0861	.0933
19. R2	.5857	.3849	.4643
20. N	725	725	725

Notes—Standard errors in parentheses. Significance levels: ~ = p < .10 1-tailed, * = p < .05 1-tailed, ** = p < .01 1-tailed, + = p < .05 2-tailed. All models include firm and year fixed effects (dummy variables). Net loan loss, provision for loan loss and loan loss reserve adjusted for total loans.

Table 4.1
Descriptive Statistics: Characteristics of Schools' Boards and Institutional Performance

	Mean	Standard deviation	Min	Max	N
Board Size	28.92	7.45	11	47	211
Board Tenure	6.40	3.17	.24	15.24	215
% w/Business Exec Experience	.2397	.1418	0	.62	210
Presidential Tenure	8.61	6.19	0	30	197
Board Functional Homogeneity	.2035	.0707	.12	.63	210
Board Ethnic Homogeneity	.8966	.0969	.58	1.00	212
Total Revenue (in 1000's)	17,876	9,415	4,027	65,652	199
Total Gift Income (in 1000's)	2,599	1,977	192	15,117	184
Endowment Gifts (in 1000's)	803	2,443	-5	29,237	184
Total # of Gifts	4,242	2,487	317	13,070	165

Note—43 schools observed over a 5 year period (91-95). All measures are taken over all institution-years except where data were missing from the institutional response.

Table 4.2
Within-school Correlations among Characteristics of Boards, Presidents, and Dependent Variables

Variable	1	2	3	4	5	6	7
1. Board Size							
2. Board Tenure	.233						
3. Board Bus Experience	.245	.058					
4. Presidential Tenure	-.013	-.062	.037				
5. Homogeneity-functional	-.419	-.265	.151	.133			
6. Homogeneity-ethnic	-.095	.206	-.001	-.186	.170		
7. Total Revenue	.100	.052	.386	.359	.143	-.162	
8. Total Gift Income	.158	.092	.033	.263	.075	-.501	.254

Table 4.3
Results of Panel Regressions: Effects of Board Demography on School Performance

Independent Variables at time t-1	Dependent Variables at time t			
	Total Revenue (in \$1000's)	Total Gifts (in \$1000's)	Total Gifts (in units)	Endowment Gifts (in \$1000's)
Full Model				
1. Board size	.1495(.1016)	.0911(.0294)**	.0575(.0197)**	.0500(.0155)**
2. Board tenure	1.1585(.3102)**	.1554(.0771)*	.1646(.0718)*	-.0015(.0384)
3. Business Exec Background	13.8307(6.5952)*	.0015(1.6951)	2.031(1.3640)	-.0997(.8476)
4. Board homogeneity-background	-1.9749(9.2482)	7.9727(2.8754)**	-2.5863(1.7431)	4.5146(1.4862)**
5. Board homogeneity-ethnicity	3.5245(4.1747)	-3.4178(1.2829)**	1.4890(.8648)~	-2.1377(.6501)**
6. Presidential tenure	-.0431(.0716)	.0511(.0279)~	-.0166(.0121)	.0239(.0139)~
7. random effects	.1799	.4326	.0956	.5176
8. R2	.9010	.6623	.9692	.5806
9. N	147	136	124	140

Notes—Standard errors in parentheses. Significance levels: ~ = $p < .10$ 1-tailed, * = $p < .05$ 1-tailed, ** = $p < .01$ 1-tailed.

¹With the exception of four banks for whom dependent variable data were missing.

¹ Autocorrelation may also bias parameter estimates because of factors that change over time within firms, but are not included in the model. For example, firms may have cycles of lending practices that have naturally evolving patterns that change in coherent, but unforeseeable ways over time. Therefore, for each of the models reported I internally estimated the effect of a serial correlation term in a first-order autoregressive model, as described in Hsiao (1986, p.54-55), after controlling for the lagged independent variables. In none of these analyses did I find significant residual autocorrelation.

¹ Tenure is often used as a measure of board strength. However, Koput et al (1997) and Staw et al (1997) both found only weak tenure effects in the banking industry, and other studies have found mixed support for whether more or less tenured boards are stronger. Hence, I only include board tenure as a control.

¹ Autocorrelation may also bias parameter estimates because of factors that change over time within firms, but are not included in the model. For example, firms may have cycles of lending practices that have naturally evolving patterns that change in coherent, but unforeseeable ways over time. Therefore, for each of the models reported I internally estimated the effect of a serial correlation term in a first-order autoregressive model, as described in Hsiao (1986, p.54-55), after controlling for the lagged independent variables. In none of these analyses did I find significant residual autocorrelation.

Appendix 2: Council of Independent Colleges Questionnaire

CIC

THE COUNCIL OF INDEPENDENT COLLEGES

January 31, 1997

Dear Member President:

I am writing to encourage your participation in a doctoral dissertation by David E. Olson at the University of Arizona. David has been in contact with CIC for over a year and submitted his proposed questionnaire for our review before seeking formal endorsement of his project. At the October 1996 Executive Committee meeting, it was agreed that the study results could prove useful to member institutions in their future fund-raising efforts.

Olson's work is entitled, "Board of Trustee Demography at Independent Colleges: Its Role in Attracting and Managing Money and Students." Several researchers have attempted to evaluate the effectiveness of boards of directors. In previous studies, it was found that the demographic profile of the board's members is related to organizational performance. Relationships were shown to be based on personal factors such as age, tenure, functional background, educational background, insiders versus outsiders, and other characteristics. The purpose of this study is to continue this line of research in higher education.

The present effort targets independent colleges and universities within the United States to determine how the demographic profile of their board is related to organizational performance measures.

As many of you will recall, Wesley Wilmer of Biola University (CA) has done two major publications in fund raising for CIC member institutions. The Olson study will add to the literature related to CIC institutions.

Please make a special effort to be involved in this study to make his research as meaningful as possible. Olson would like a sample of at least 200 institutions. CIC participants will receive survey results.

Thank you for your consideration. All questions regarding the questionnaire should be directed to David Olson at (520) 621-1053 or dolson@aruba.ccit.arizona.edu.

Sincerely,



Allen P. Splete
President

12 February 1997

Office of the President

Dear CIC President,

As the focus of my doctoral dissertation, I am conducting research on boards of trustees at private colleges and universities. In for-profit corporations, recent studies have found relationships between board activity and the demographic profile of the board's members. While of equal importance, little has been done on this subject in the not-for-profit sector.

According to theory, a decision-maker's cognitive base and personal values determine which cues he or she will focus on and how the cues are weighted. The weighting of the selected cues determines which decision is selected from all viable options. Since demographics provide insight into one's cognitive base and values, they can, and have, been used to predict decision making. Among studies in this arena, board demography has been linked to strategic change in Fortune 500 companies, innovation and loan losses in banks, conflict in food processing companies, and communication and performance in high-technology firms.

It is the intent of this study to extend such research to independent colleges and universities. Through the endorsement of the Council of Independent Colleges (CIC), this information is being sent to, and, with your help, collected from, several hundred institutions. The information will then be compiled in order to establish profiles, trends, and relationships. The results and conclusions of the study will then be sent to all contributing institutions.

The enclosed instructions and questionnaire are provided to facilitate the collection of information from your institution. I would ask that this questionnaire be completed by the persons, or person, at your institution who are best able to provide accurate information regarding the institution and its board. For many schools this would be the **Chief Financial Officer on Section I**, the **Chief Admissions Officer on Section II**, and the **Secretary to the Board on Sections III and IV**.

As there are many schools awaiting the results of this information, and I have time constraints in completing my doctoral work, I request that the information be returned by April 15th or earlier. Please be assured that all information regarding the individuals serving as board members, and of the schools themselves, will be kept completely confidential.

Please feel free to contact me at 520-621-7460, at home at 520-721-1602, or by email at dolson@aruba.ccit.arizona.edu with any questions or comments.

Thank you in advance for your support and assistance.

Sincerely,

David E. Olson
Doctoral Student

Instruction Sheet for Board Demography and College Profile Questionnaire

The enclosed forms are to be completed by person(s) at your institution who have access to the demographic profile of the members of the board and to your financial and student admissions data. There are five copies of the forms. One copy is to be completed for each of the years 1991-1995. Each form asks for information regarding the demographic profile of the board along with inquiries regarding performance of the school. The forms have been designed so that the persons who complete them will do so quickly and accurately.

The following will provide explanations for how to proceed with various questions on the form.

Section I

School Revenue - This is the money that the school brings in during the academic year in order to operate. It includes tuition & fees, grants, auxiliary income and other sources.

Endowment - This is the market value of the school's endowment at the beginning of the calendar year, the year's contributions, income and expenses from the endowment, and the market value at the end of the calendar year.

Total Gift Income - This is the amount of money given to the school during the year for current funding, capital projects, and for the endowment.

Alumni / Trustee / Faculty / Staff / Parental Giving - This is the percentage of living alums (or other group) who made financial contributions to the school during the year.

of Gifts Received - This is the number of gifts received by the school during the year.

Section II

Student Inquiries - This is the number of prospective students who request applications from the school during the year.

Student Applications - This is the number of students who submitted completed applications to the school during the last year.

Incoming Student Ave GPA - This is the average high school grade point average of new students enrolling during the last year.

Average SAT/ACT Score - This is the average SAT or ACT score of new students enrolling during the last year.

Student Retention Rate - This is the rate at which non-matriculating students remain at the school between the spring and fall semester (total non-matriculating / total returning).

**Study on the Board of Trustees of Private Colleges and Universities
Board Demography and School Profile Questionnaire**

Please fill out these forms as accurately and completely as possible. All of the information you provide should be related to the **academic year** unless you note otherwise. There are four sections, each which may be given to the person most familiar with given information. **Please consult the enclosed instruction sheet for specific instructions on the various questions.** Thank you in advance for your assistance.

Section I - Financial Information

The first section of the form asks for information regarding various financial measures. This information will be used to identify possible effects of board composition on financial issues.

Financial Measures

	<u>1991-1992</u>	<u>1992-1993</u>	<u>1993-1994</u>	<u>1994-1995</u>	<u>1995-1996</u>
School Revenue					
Tuition & Fees	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Gov't Grants	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Auxiliary	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Other	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Total Revenue	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____

Endowment (Market Value)					
Beginning bal	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Gifts	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Income	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Expense	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Ending balance	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____

Gift Income					
Annual	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Cap expansion	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Deferred	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Other	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Total Gift inc	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____

Dollar Value of Contribution and Number of Gifts by Constituent Group								
Alumni	\$ _____	# _____	\$ _____	# _____	\$ _____	# _____	\$ _____	# _____
Trustees	\$ _____	# _____	\$ _____	# _____	\$ _____	# _____	\$ _____	# _____
Faculty	\$ _____	# _____	\$ _____	# _____	\$ _____	# _____	\$ _____	# _____
Staff	\$ _____	# _____	\$ _____	# _____	\$ _____	# _____	\$ _____	# _____
Parents	\$ _____	# _____	\$ _____	# _____	\$ _____	# _____	\$ _____	# _____
Students	\$ _____	# _____	\$ _____	# _____	\$ _____	# _____	\$ _____	# _____

Total # of Gifts Received During Year
_____ # _____ # _____ # _____ # _____

Section II - Student and School Information

The second section of the form asks for information regarding various student-oriented measures. This information will be used to identify possible effects of board composition on students.

<u>Student Measures</u>	<u>1991-92</u>	<u>1992-93</u>	<u>1993-94</u>	<u>1994-95</u>	<u>1995-96</u>
Student Inquiries (# requested applics)	_____	_____	_____	_____	_____
Student Applications (completed applications by sex and ethnicity)					
Male	_____	_____	_____	_____	_____
Female	_____	_____	_____	_____	_____
Caucasian	_____	_____	_____	_____	_____
Black	_____	_____	_____	_____	_____
Asian	_____	_____	_____	_____	_____
Other	_____	_____	_____	_____	_____
Student Enrollment (FTE enrollment)	_____	_____	_____	_____	_____
Incoming Student (Average GPA)	_____	_____	_____	_____	_____
(Average SAT Score)	_____	_____	_____	_____	_____
(Average ACT Score)	_____	_____	_____	_____	_____
Student Retention Rate (from Spring to Fall)	_____ %	_____ %	_____ %	_____ %	_____ %

<u>School Accreditations</u>	<u>Year Obtained</u>
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

Section III - Board of Trustee Information 1991 - 1992

This section of the form asks for information regarding the board of trustees for the school. This information is used to help determine the nature of the school and its board and for classification purposes. Please note that a separate sheet is filled out for each year from 1991-1996.

How large was the board during this year (# of members) ____ Active? ____ Emeritus? ____ Total?

How many voting board seats were reserved for ____ Ordained Ministers? ____ Other Church/Denomination?
 ____ President? ____ Other Administration? ____ Students? ____ Professors? ____ Others?

Was the President a (voting) ____ yes ____ no or a (non-voting) ____ yes ____ no member of the board?

If neither, did (s)he attend meetings? ____ yes ____ no

How long has (s)he served as President? ____ years ____ months

How many board meetings were attended by
 ____ students? ____ professors? ____ alums? ____ administration? ____ parents? ____ others?

How many different non-voting representatives were in attendance at least one board meetings from among
 ____ students? ____ professors? ____ alums? ____ administration? ____ parents? ____ others?

Were non-board members invited to attend meetings of the board? ____ yes ____ no How often? ____

How many meetings occurred during this year for each of the following groups?

____ Full Board of Trustees ____ Executive Committee ____ Development Committee
 ____ Student Affairs Committee ____ Academic Affairs Committee ____ Finance Committee

On average, how long (hrs. & min.) were the meetings of each of the following groups during this year?

____ Full Board of Trustees ____ Executive Committee ____ Development Committee
 ____ Student Affairs Committee ____ Academic Affairs Committee ____ Finance Committee

Section III - Board of Trustee Information 1992 - 1993

This section of the form asks for information regarding the board of trustees for the school. This information is used to help determine the nature of the school and its board and for classification purposes. Please note that a separate sheet is filled out for each year from 1991-1996.

How large was the board during this year (# of members) ____ Active? ____ Emeritus? ____ Total?

How many voting board seats were reserved for ____ Ordained Ministers? ____ Other Church/Denomination?
 ____ President? ____ Other Administration? ____ Students? ____ Professors? ____ Others?

Was the President a (voting) ____ yes ____ no or a (non-voting) ____ yes ____ no member of the board?

If neither, did (s)he attend meetings? ____ yes ____ no

How long has (s)he served as President? ____ years ____ months

How many board meetings were attended by
 ____ students? ____ professors? ____ alums? ____ administration? ____ parents? ____ others?

How many different non-voting representatives were in attendance at least one board meetings from among
 ____ students? ____ professors? ____ alums? ____ administration? ____ parents? ____ others?

Were non-board members invited to attend meetings of the board? ____ yes ____ no How often? ____

How many meetings occurred during this year for each of the following groups?

____ Full Board of Trustees ____ Executive Committee ____ Development Committee
 ____ Student Affairs Committee ____ Academic Affairs Committee ____ Finance Committee

On average, how long (hrs. & min.) were the meetings of each of the following groups during this year?

____ Full Board of Trustees ____ Executive Committee ____ Development Committee
 ____ Student Affairs Committee ____ Academic Affairs Committee ____ Finance Committee

Section III - Board of Trustee Information 1993 - 1994

This section of the form asks for information regarding the board of trustees for the school. This information is used to help determine the nature of the school and its board and for classification purposes. Please note that a separate sheet is filled out for each year from 1991-1996.

How large was the board during this year (# of members) ____ Active? ____ Emeritus? ____ Total?

How many voting board seats were reserved for ____ Ordained Ministers? ____ Other Church/Denomination?
 ____ President? ____ Other Administration? ____ Students? ____ Professors? ____ Others?

Was the President a (voting) ____ yes ____ no or a (non-voting) ____ yes ____ no member of the board?

If neither, did (s)he attend meetings? ____ yes ____ no

How long has (s)he served as President? ____ years ____ months

How many board meetings were attended by

____ students? ____ professors? ____ alums? ____ administration? ____ parents? ____ others?

How many different non-voting representatives were in attendance at least one board meetings from among

____ students? ____ professors? ____ alums? ____ administration? ____ parents? ____ others?

Were non-board members invited to attend meetings of the board? ____ yes ____ no How often? ____

How many meetings occurred during this year for each of the following groups?

____ Full Board of Trustees ____ Executive Committee ____ Development Committee
 ____ Student Affairs Committee ____ Academic Affairs Committee ____ Finance Committee

On average, how long (hrs. & min.) were the meetings of each of the following groups during this year?

____ Full Board of Trustees ____ Executive Committee ____ Development Committee
 ____ Student Affairs Committee ____ Academic Affairs Committee ____ Finance Committee

Section III - Board of Trustee Information 1994 - 1995

This section of the form asks for information regarding the board of trustees for the school. This information is used to help determine the nature of the school and its board and for classification purposes. Please note that a separate sheet is filled out for each year from 1991-1996.

How large was the board during this year (# of members) ___ Active? ___ Emeritus? ___ Total?

How many voting board seats were reserved for ___ Ordained Ministers? ___ Other Church/Denomination?
 ___ President? ___ Other Administration? ___ Students? ___ Professors? ___ Others?

Was the President a (voting) ___yes ___no or a (non-voting) ___yes ___no member of the board?
 If neither, did (s)he attend meetings? ___yes ___no
 How long has (s)he served as President? ___ years ___ months

How many board meetings were attended by
 ___ students? ___ professors? ___ alums? ___ administration? ___ parents? ___ others?

How many different non-voting representatives were in attendance at least one board meetings from among
 ___ students? ___ professors? ___ alums? ___ administration? ___ parents? ___ others?

Were non-board members invited to attend meetings of the board? ___yes ___no How often? ___

How many meetings occurred during this year for each of the following groups?
 ___ Full Board of Trustees ___ Executive Committee ___ Development Committee
 ___ Student Affairs Committee ___ Academic Affairs Committee ___ Finance Committee

On average, how long (hrs. & min.) were the meetings of each of the following groups during this year?
 ___ Full Board of Trustees ___ Executive Committee ___ Development Committee
 ___ Student Affairs Committee ___ Academic Affairs Committee ___ Finance Committee

Section III - Board of Trustee Information 1995 - 1996

This section of the form asks for information regarding the board of trustees for the school. This information is used to help determine the nature of the school and its board and for classification purposes. Please note that a separate sheet is filled out for each year from 1991-1996.

How large was the board during this year (# of members) ____ Active? ____ Emeritus? ____ Total?

How many voting board seats were reserved for ____ Ordained Ministers? ____ Other Church/Denomination?
 ____ President? ____ Other Administration? ____ Students? ____ Professors? ____ Others?

Was the President a (voting) ____ yes ____ no or a (non-voting) ____ yes ____ no member of the board?

If neither, did (s)he attend meetings? ____ yes ____ no

How long has (s)he served as President? ____ years ____ months

How many board meetings were attended by
 ____ students? ____ professors? ____ alumni? ____ administration? ____ parents? ____ others?

How many different non-voting representatives were in attendance at least one board meetings from among
 ____ students? ____ professors? ____ alumni? ____ administration? ____ parents? ____ others?

Were non-board members invited to attend meetings of the board? ____ yes ____ no How often? ____

How many meetings occurred during this year for each of the following groups?

____ Full Board of Trustees ____ Executive Committee ____ Development Committee
 ____ Student Affairs Committee ____ Academic Affairs Committee ____ Finance Committee

On average, how long (hrs. & min.) were the meetings of each of the following groups during this year?

____ Full Board of Trustees ____ Executive Committee ____ Development Committee
 ____ Student Affairs Committee ____ Academic Affairs Committee ____ Finance Committee

Section IV - Individual Board Member Information

This section asks for information regarding **each person** who served on your college's board **any time during the years 1991-1996**. This information is to be used to determine relationships between the financial / student measurements and board demography. You may wish to photocopy extra pages if necessary.

Instructions- (please refer to the codes below codes when completing this section)

Name - You may provide the name of the board member, or, if you prefer, their initials or any sort of identification which is easy to keep track of (**all information will remain completely confidential**).

Ethnicity - Indicate the ethnic background of board members by using the following codes:

"Caucasian" = 1, "African American" = 2, "Asian" = 3, "Hispanic" = 4,
"Native American" = 5, "Other" = 6, unknown = 7.

Years of Education - Indicate the years of education that the board member has. A high school graduate should be noted as having 12 years. Someone holding only a bachelor's degree would have 16 years. An M.A. or Ph.D. would correspond with 18 years and 22 years, respectively.

Educational Emphasis - Indicate the educational emphasis which best describes the board member by using the following codes:

"Business" = 1, "Economics" = 2, "Law" = 3,
"Medicine" = 4, "Education" = 5, "Arts and Sciences" = 6, "Engineering" = 7,
"General Studies" = 8, "Other" = 9, "Unknown" = 10, "NoDegree" = 11.

Functional Background - Indicate the activity or profession which best describes the board member's position by using the following codes (should more than one apply, list in order of importance):

"Clergy" = 1 "Law" = 2 "Government" = 3 "Education" = 4
"Medicine" = 5 "Self-Employed" = 6 "Ag/Farming" = 7 "Homemaker" = 8
"Bus-Finance" = 9 "Bus-Senior Exec" = 10 "Business-Other" = 11 "Other" = 12
"Retired" = 13 (list "13" and previous background) "Unknown" = 14.

Committee Membership - Indicate any board committees on which the member serves. If the committee goes by a different name but serves the same function as one specified, check that category.

Ties to Institution - Indicate whether the member has ties to the institution which are not related to being a board member (i.e. Is, or has the member ever been, an administrator, professor, or student at the school? "Church" relates to those church-oriented schools that may or may not be required to have denominational representation on their board).

1) Name(or ID) _____ Birthdate _____ Sex _____ Ethnicity _____
 Yrs of Education _____ Educational Emphasis _____ Functional Background (primary career position) _____
 Date Joined Board _____ Current Member ___yes___ ___no___ if no, date left board _____
 Committee Membership (Member has/is serving on the following board committees. - If yes, provide dates of service.)
 Executive ___no___ ___yes___ dates _____ Student Affairs ___no___ ___yes___ dates _____
 Finance ___no___ ___yes___ dates _____ Academic Affairs ___no___ ___yes___ dates _____
 Development ___no___ ___yes___ dates _____ Other ___no___ ___yes___ dates _____
 Ties to Institution (Member is, or has been at one time, associated with the school in the following capacities)
 Administration ___no___ ___yes___ Professor ___no___ ___yes___ Alum ___no___ ___yes___
 Current Student ___no___ ___yes___ Church ___no___ ___yes___ Other ___no___ ___yes___

2) Name(or ID) _____ Birthdate _____ Sex _____ Ethnicity _____
 Yrs of Education _____ Educational Emphasis _____ Functional Background (primary career position) _____
 Date Joined Board _____ Current Member ___yes___ ___no___ if no, date left board _____
 Committee Membership (Member has/is serving on the following board committees. - If yes, provide dates of service.)
 Executive ___no___ ___yes___ dates _____ Student Affairs ___no___ ___yes___ dates _____
 Finance ___no___ ___yes___ dates _____ Academic Affairs ___no___ ___yes___ dates _____
 Development ___no___ ___yes___ dates _____ Other ___no___ ___yes___ dates _____
 Ties to Institution (Member is, or has been at one time, associated with the school in the following capacities)
 Administration ___no___ ___yes___ Professor ___no___ ___yes___ Alum ___no___ ___yes___
 Current Student ___no___ ___yes___ Church ___no___ ___yes___ Other ___no___ ___yes___

3) Name(or ID) _____ Birthdate _____ Sex _____ Ethnicity _____
 Yrs of Education _____ Educational Emphasis _____ Functional Background (primary career position) _____
 Date Joined Board _____ Current Member ___yes___ ___no___ if no, date left board _____
 Committee Membership (Member has/is serving on the following board committees. - If yes, provide dates of service.)
 Executive ___no___ ___yes___ dates _____ Student Affairs ___no___ ___yes___ dates _____
 Finance ___no___ ___yes___ dates _____ Academic Affairs ___no___ ___yes___ dates _____
 Development ___no___ ___yes___ dates _____ Other ___no___ ___yes___ dates _____
 Ties to Institution (Member is, or has been at one time, associated with the school in the following capacities)
 Administration ___no___ ___yes___ Professor ___no___ ___yes___ Alum ___no___ ___yes___
 Current Student ___no___ ___yes___ Church ___no___ ___yes___ Other ___no___ ___yes___

4) Name(or ID) _____ Birthdate _____ Sex _____ Ethnicity _____
 Yrs of Education _____ Educational Emphasis _____ Functional Background (primary career position) _____
 Date Joined Board _____ Current Member ___yes___ ___no___ if no, date left board _____
 Committee Membership (Member has/is serving on the following board committees. - If yes, provide dates of service.)
 Executive ___no___ ___yes___ dates _____ Student Affairs ___no___ ___yes___ dates _____
 Finance ___no___ ___yes___ dates _____ Academic Affairs ___no___ ___yes___ dates _____
 Development ___no___ ___yes___ dates _____ Other ___no___ ___yes___ dates _____
 Ties to Institution (Member is, or has been at one time, associated with the school in the following capacities)
 Administration ___no___ ___yes___ Professor ___no___ ___yes___ Alum ___no___ ___yes___
 Current Student ___no___ ___yes___ Church ___no___ ___yes___ Other ___no___ ___yes___

5) Name(or ID) _____ Birthdate _____ Sex _____ Ethnicity _____
 Yrs of Education _____ Educational Emphasis _____ Functional Background (primary career position) _____
 Date Joined Board _____ Current Member ___yes___ ___no___ if no, date left board _____
 Committee Membership (Member has/is serving on the following board committees. - If yes, provide dates of service.)
 Executive ___no___ ___yes___ dates _____ Student Affairs ___no___ ___yes___ dates _____
 Finance ___no___ ___yes___ dates _____ Academic Affairs ___no___ ___yes___ dates _____
 Development ___no___ ___yes___ dates _____ Other ___no___ ___yes___ dates _____
 Ties to Institution (Member is, or has been at one time, associated with the school in the following capacities)
 Administration ___no___ ___yes___ Professor ___no___ ___yes___ Alum ___no___ ___yes___
 Current Student ___no___ ___yes___ Church ___no___ ___yes___ Other ___no___ ___yes___

6) Name(or ID) _____ Birthdate _____ Sex _____ Ethnicity _____
 Yrs of Education _____ Educational Emphasis _____ Functional Background (primary career position) _____
 Date Joined Board _____ Current Member ___yes___ ___no___ if no, date left board _____
 Committee Membership (Member has/is serving on the following board committees. - If yes, provide dates of service.)
 Executive ___no___ ___yes___ dates _____ Student Affairs ___no___ ___yes___ dates _____
 Finance ___no___ ___yes___ dates _____ Academic Affairs ___no___ ___yes___ dates _____
 Development ___no___ ___yes___ dates _____ Other ___no___ ___yes___ dates _____
 Ties to Institution (Member is, or has been at one time, associated with the school in the following capacities)
 Administration ___no___ ___yes___ Professor ___no___ ___yes___ Alum ___no___ ___yes___
 Current Student ___no___ ___yes___ Church ___no___ ___yes___ Other ___no___ ___yes___

7) Name(or ID) _____ Birthdate _____ Sex _____ Ethnicity _____
 Yrs of Education _____ Educational Emphasis _____ Functional Background (primary career position) _____
 Date Joined Board _____ Current Member ___yes___ ___no___ if no, date left board _____
 Committee Membership (Member has/is serving on the following board committees. - If yes, provide dates of service.)
 Executive ___no___ ___yes___ dates _____ Student Affairs ___no___ ___yes___ dates _____
 Finance ___no___ ___yes___ dates _____ Academic Affairs ___no___ ___yes___ dates _____
 Development ___no___ ___yes___ dates _____ Other ___no___ ___yes___ dates _____
 Ties to Institution (Member is, or has been at one time, associated with the school in the following capacities)
 Administration ___no___ ___yes___ Professor ___no___ ___yes___ Alum ___no___ ___yes___
 Current Student ___no___ ___yes___ Church ___no___ ___yes___ Other ___no___ ___yes___

8) Name(or ID) _____ Birthdate _____ Sex _____ Ethnicity _____
 Yrs of Education _____ Educational Emphasis _____ Functional Background (primary career position) _____
 Date Joined Board _____ Current Member ___yes___ ___no___ if no, date left board _____
 Committee Membership (Member has/is serving on the following board committees. - If yes, provide dates of service.)
 Executive ___no___ ___yes___ dates _____ Student Affairs ___no___ ___yes___ dates _____
 Finance ___no___ ___yes___ dates _____ Academic Affairs ___no___ ___yes___ dates _____
 Development ___no___ ___yes___ dates _____ Other ___no___ ___yes___ dates _____
 Ties to Institution (Member is, or has been at one time, associated with the school in the following capacities)
 Administration ___no___ ___yes___ Professor ___no___ ___yes___ Alum ___no___ ___yes___
 Current Student ___no___ ___yes___ Church ___no___ ___yes___ Other ___no___ ___yes___

9) Name(or ID) _____ Birthdate _____ Sex _____ Ethnicity _____
 Yrs of Education _____ Educational Emphasis _____ Functional Background (primary career position) _____
 Date Joined Board _____ Current Member ___yes___ ___no___ if no, date left board _____
 Committee Membership (Member has/is serving on the following board committees. - If yes, provide dates of service.)
 Executive ___no___ ___yes___ dates _____ Student Affairs ___no___ ___yes___ dates _____
 Finance ___no___ ___yes___ dates _____ Academic Affairs ___no___ ___yes___ dates _____
 Development ___no___ ___yes___ dates _____ Other ___no___ ___yes___ dates _____
 Ties to Institution (Member is, or has been at one time, associated with the school in the following capacities)
 Administration ___no___ ___yes___ Professor ___no___ ___yes___ Alum ___no___ ___yes___
 Current Student ___no___ ___yes___ Church ___no___ ___yes___ Other ___no___ ___yes___

10) Name(or ID) _____ Birthdate _____ Sex _____ Ethnicity _____
 Yrs of Education _____ Educational Emphasis _____ Functional Background (primary career position) _____
 Date Joined Board _____ Current Member ___yes___ ___no___ if no, date left board _____
 Committee Membership (Member has/is serving on the following board committees. - If yes, provide dates of service.)
 Executive ___no___ ___yes___ dates _____ Student Affairs ___no___ ___yes___ dates _____
 Finance ___no___ ___yes___ dates _____ Academic Affairs ___no___ ___yes___ dates _____
 Development ___no___ ___yes___ dates _____ Other ___no___ ___yes___ dates _____
 Ties to Institution (Member is, or has been at one time, associated with the school in the following capacities)
 Administration ___no___ ___yes___ Professor ___no___ ___yes___ Alum ___no___ ___yes___
 Current Student ___no___ ___yes___ Church ___no___ ___yes___ Other ___no___ ___yes___

11) Name(or ID) _____ Birthdate _____ Sex _____ Ethnicity _____
 Yrs of Education _____ Educational Emphasis _____ Functional Background (primary career position) _____
 Date Joined Board _____ Current Member ___yes___ ___no___ if no, date left board _____
 Committee Membership (Member has/is serving on the following board committees. - If yes, provide dates of service.)
 Executive ___no___ ___yes___ dates _____ Student Affairs ___no___ ___yes___ dates _____
 Finance ___no___ ___yes___ dates _____ Academic Affairs ___no___ ___yes___ dates _____
 Development ___no___ ___yes___ dates _____ Other ___no___ ___yes___ dates _____
 Ties to Institution (Member is, or has been at one time, associated with the school in the following capacities)
 Administration ___no___ ___yes___ Professor ___no___ ___yes___ Alum ___no___ ___yes___
 Current Student ___no___ ___yes___ Church ___no___ ___yes___ Other ___no___ ___yes___

12) Name(or ID) _____ Birthdate _____ Sex _____ Ethnicity _____
 Yrs of Education _____ Educational Emphasis _____ Functional Background (primary career position) _____
 Date Joined Board _____ Current Member ___yes___ ___no___ if no, date left board _____
 Committee Membership (Member has/is serving on the following board committees. - If yes, provide dates of service.)
 Executive ___no___ ___yes___ dates _____ Student Affairs ___no___ ___yes___ dates _____
 Finance ___no___ ___yes___ dates _____ Academic Affairs ___no___ ___yes___ dates _____
 Development ___no___ ___yes___ dates _____ Other ___no___ ___yes___ dates _____
 Ties to Institution (Member is, or has been at one time, associated with the school in the following capacities)
 Administration ___no___ ___yes___ Professor ___no___ ___yes___ Alum ___no___ ___yes___
 Current Student ___no___ ___yes___ Church ___no___ ___yes___ Other ___no___ ___yes___

13) Name(or ID) _____ Birthdate _____ Sex _____ Ethnicity _____
 Yrs of Education _____ Educational Emphasis _____ Functional Background (primary career position) _____
 Date Joined Board _____ Current Member ___yes___ ___no___ if no, date left board _____
 Committee Membership (Member has/is serving on the following board committees. - If yes, provide dates of service.)
 Executive ___no___ ___yes___ dates _____ Student Affairs ___no___ ___yes___ dates _____
 Finance ___no___ ___yes___ dates _____ Academic Affairs ___no___ ___yes___ dates _____
 Development ___no___ ___yes___ dates _____ Other ___no___ ___yes___ dates _____
 Ties to Institution (Member is, or has been at one time, associated with the school in the following capacities)
 Administration ___no___ ___yes___ Professor ___no___ ___yes___ Alum ___no___ ___yes___
 Current Student ___no___ ___yes___ Church ___no___ ___yes___ Other ___no___ ___yes___

14) Name(or ID) _____ Birthdate _____ Sex _____ Ethnicity _____
 Yrs of Education _____ Educational Emphasis _____ Functional Background (primary career position) _____
 Date Joined Board _____ Current Member ___yes___ ___no___ if no, date left board _____
 Committee Membership (Member has/is serving on the following board committees. - If yes, provide dates of service.)
 Executive ___no___ ___yes___ dates _____ Student Affairs ___no___ ___yes___ dates _____
 Finance ___no___ ___yes___ dates _____ Academic Affairs ___no___ ___yes___ dates _____
 Development ___no___ ___yes___ dates _____ Other ___no___ ___yes___ dates _____
 Ties to Institution (Member is, or has been at one time, associated with the school in the following capacities)
 Administration ___no___ ___yes___ Professor ___no___ ___yes___ Alum ___no___ ___yes___
 Current Student ___no___ ___yes___ Church ___no___ ___yes___ Other ___no___ ___yes___

15) Name(or ID) _____ Birthdate _____ Sex _____ Ethnicity _____
 Yrs of Education _____ Educational Emphasis _____ Functional Background (primary career position) _____
 Date Joined Board _____ Current Member ___yes___ ___no___ if no, date left board _____
 Committee Membership (Member has/is serving on the following board committees. - If yes, provide dates of service.)
 Executive ___no___ ___yes___ dates _____ Student Affairs ___no___ ___yes___ dates _____
 Finance ___no___ ___yes___ dates _____ Academic Affairs ___no___ ___yes___ dates _____
 Development ___no___ ___yes___ dates _____ Other ___no___ ___yes___ dates _____
 Ties to Institution (Member is, or has been at one time, associated with the school in the following capacities)
 Administration ___no___ ___yes___ Professor ___no___ ___yes___ Alum ___no___ ___yes___
 Current Student ___no___ ___yes___ Church ___no___ ___yes___ Other ___no___ ___yes___

16) Name(or ID) _____ Birthdate _____ Sex _____ Ethnicity _____
 Yrs of Education _____ Educational Emphasis _____ Functional Background (primary career position) _____
 Date Joined Board _____ Current Member ___yes___ ___no___ if no, date left board _____
 Committee Membership (Member has/is serving on the following board committees. - If yes, provide dates of service.)
 Executive ___no___ ___yes___ dates _____ Student Affairs ___no___ ___yes___ dates _____
 Finance ___no___ ___yes___ dates _____ Academic Affairs ___no___ ___yes___ dates _____
 Development ___no___ ___yes___ dates _____ Other ___no___ ___yes___ dates _____
 Ties to Institution (Member is, or has been at one time, associated with the school in the following capacities)
 Administration ___no___ ___yes___ Professor ___no___ ___yes___ Alum ___no___ ___yes___
 Current Student ___no___ ___yes___ Church ___no___ ___yes___ Other ___no___ ___yes___

17) Name(or ID) _____ Birthdate _____ Sex _____ Ethnicity _____
 Yrs of Education _____ Educational Emphasis _____ Functional Background (primary career position) _____
 Date Joined Board _____ Current Member ___yes___ ___no___ if no, date left board _____
 Committee Membership (Member has/is serving on the following board committees. - If yes, provide dates of service.)
 Executive ___no___ ___yes___ dates _____ Student Affairs ___no___ ___yes___ dates _____
 Finance ___no___ ___yes___ dates _____ Academic Affairs ___no___ ___yes___ dates _____
 Development ___no___ ___yes___ dates _____ Other ___no___ ___yes___ dates _____
 Ties to Institution (Member is, or has been at one time, associated with the school in the following capacities)
 Administration ___no___ ___yes___ Professor ___no___ ___yes___ Alum ___no___ ___yes___
 Current Student ___no___ ___yes___ Church ___no___ ___yes___ Other ___no___ ___yes___

18) Name(or ID) _____ Birthdate _____ Sex _____ Ethnicity _____
 Yrs of Education _____ Educational Emphasis _____ Functional Background (primary career position) _____
 Date Joined Board _____ Current Member ___yes___ ___no___ if no, date left board _____
 Committee Membership (Member has/is serving on the following board committees. - If yes, provide dates of service.)
 Executive ___no___ ___yes___ dates _____ Student Affairs ___no___ ___yes___ dates _____
 Finance ___no___ ___yes___ dates _____ Academic Affairs ___no___ ___yes___ dates _____
 Development ___no___ ___yes___ dates _____ Other ___no___ ___yes___ dates _____
 Ties to Institution (Member is, or has been at one time, associated with the school in the following capacities)
 Administration ___no___ ___yes___ Professor ___no___ ___yes___ Alum ___no___ ___yes___
 Current Student ___no___ ___yes___ Church ___no___ ___yes___ Other ___no___ ___yes___

19) Name(or ID) _____ Birthdate _____ Sex _____ Ethnicity _____
 Yrs of Education _____ Educational Emphasis _____ Functional Background (primary career position) _____
 Date Joined Board _____ Current Member ___yes___ ___no___ if no, date left board _____
 Committee Membership (Member has/is serving on the following board committees. - If yes, provide dates of service.)
 Executive ___no___ ___yes___ dates _____ Student Affairs ___no___ ___yes___ dates _____
 Finance ___no___ ___yes___ dates _____ Academic Affairs ___no___ ___yes___ dates _____
 Development ___no___ ___yes___ dates _____ Other ___no___ ___yes___ dates _____
 Ties to Institution (Member is, or has been at one time, associated with the school in the following capacities)
 Administration ___no___ ___yes___ Professor ___no___ ___yes___ Alum ___no___ ___yes___
 Current Student ___no___ ___yes___ Church ___no___ ___yes___ Other ___no___ ___yes___

20) Name(or ID) _____ Birthdate _____ Sex _____ Ethnicity _____
 Yrs of Education _____ Educational Emphasis _____ Functional Background (primary career position) _____
 Date Joined Board _____ Current Member ___yes___ ___no___ if no, date left board _____
 Committee Membership (Member has/is serving on the following board committees. - If yes, provide dates of service.)
 Executive ___no___ ___yes___ dates _____ Student Affairs ___no___ ___yes___ dates _____
 Finance ___no___ ___yes___ dates _____ Academic Affairs ___no___ ___yes___ dates _____
 Development ___no___ ___yes___ dates _____ Other ___no___ ___yes___ dates _____
 Ties to Institution (Member is, or has been at one time, associated with the school in the following capacities)
 Administration ___no___ ___yes___ Professor ___no___ ___yes___ Alum ___no___ ___yes___
 Current Student ___no___ ___yes___ Church ___no___ ___yes___ Other ___no___ ___yes___

21) Name(or ID) _____ Birthdate _____ Sex _____ Ethnicity _____
 Yrs of Education _____ Educational Emphasis _____ Functional Background (primary career position) _____
 Date Joined Board _____ Current Member yes no if no, date left board _____
 Committee Membership (Member has/is serving on the following board committees. - If yes, provide dates of service.)
 Executive no yes dates _____ Student Affairs no yes dates _____
 Finance no yes dates _____ Academic Affairs no yes dates _____
 Development no yes dates _____ Other no yes dates _____
 Ties to Institution (Member is, or has been at one time, associated with the school in the following capacities)
 Administration no yes Professor no yes Alum no yes
 Current Student no yes Church no yes Other no yes

22) Name(or ID) _____ Birthdate _____ Sex _____ Ethnicity _____
 Yrs of Education _____ Educational Emphasis _____ Functional Background (primary career position) _____
 Date Joined Board _____ Current Member yes no if no, date left board _____
 Committee Membership (Member has/is serving on the following board committees. - If yes, provide dates of service.)
 Executive no yes dates _____ Student Affairs no yes dates _____
 Finance no yes dates _____ Academic Affairs no yes dates _____
 Development no yes dates _____ Other no yes dates _____
 Ties to Institution (Member is, or has been at one time, associated with the school in the following capacities)
 Administration no yes Professor no yes Alum no yes
 Current Student no yes Church no yes Other no yes

23) Name(or ID) _____ Birthdate _____ Sex _____ Ethnicity _____
 Yrs of Education _____ Educational Emphasis _____ Functional Background (primary career position) _____
 Date Joined Board _____ Current Member yes no if no, date left board _____
 Committee Membership (Member has/is serving on the following board committees. - If yes, provide dates of service.)
 Executive no yes dates _____ Student Affairs no yes dates _____
 Finance no yes dates _____ Academic Affairs no yes dates _____
 Development no yes dates _____ Other no yes dates _____
 Ties to Institution (Member is, or has been at one time, associated with the school in the following capacities)
 Administration no yes Professor no yes Alum no yes
 Current Student no yes Church no yes Other no yes

24) Name(or ID) _____ Birthdate _____ Sex _____ Ethnicity _____
 Yrs of Education _____ Educational Emphasis _____ Functional Background (primary career position) _____
 Date Joined Board _____ Current Member yes no if no, date left board _____
 Committee Membership (Member has/is serving on the following board committees. - If yes, provide dates of service.)
 Executive no yes dates _____ Student Affairs no yes dates _____
 Finance no yes dates _____ Academic Affairs no yes dates _____
 Development no yes dates _____ Other no yes dates _____
 Ties to Institution (Member is, or has been at one time, associated with the school in the following capacities)
 Administration no yes Professor no yes Alum no yes
 Current Student no yes Church no yes Other no yes

25) Name(or ID) _____ Birthdate _____ Sex _____ Ethnicity _____
 Yrs of Education _____ Educational Emphasis _____ Functional Background (primary career position) _____
 Date Joined Board _____ Current Member yes no if no, date left board _____
 Committee Membership (Member has/is serving on the following board committees. - If yes, provide dates of service.)
 Executive no yes dates _____ Student Affairs no yes dates _____
 Finance no yes dates _____ Academic Affairs no yes dates _____
 Development no yes dates _____ Other no yes dates _____
 Ties to Institution (Member is, or has been at one time, associated with the school in the following capacities)
 Administration no yes Professor no yes Alum no yes
 Current Student no yes Church no yes Other no yes

26) Name(or ID) _____ Birthdate _____ Sex _____ Ethnicity _____
 Yrs of Education _____ Educational Emphasis _____ Functional Background (primary career position) _____
 Date Joined Board _____ Current Member yes no if no, date left board _____
 Committee Membership (Member has/is serving on the following board committees. - If yes, provide dates of service.)
 Executive no yes dates _____ Student Affairs no yes dates _____
 Finance no yes dates _____ Academic Affairs no yes dates _____
 Development no yes dates _____ Other no yes dates _____
 Ties to Institution (Member is, or has been at one time, associated with the school in the following capacities)
 Administration no yes Professor no yes Alum no yes
 Current Student no yes Church no yes Other no yes

27) Name(or ID) _____ Birthdate _____ Sex _____ Ethnicity _____
 Yrs of Education _____ Educational Emphasis _____ Functional Background (primary career position) _____
 Date Joined Board _____ Current Member yes no if no, date left board _____
 Committee Membership (Member has/is serving on the following board committees. - If yes, provide dates of service.)
 Executive no yes dates _____ Student Affairs no yes dates _____
 Finance no yes dates _____ Academic Affairs no yes dates _____
 Development no yes dates _____ Other no yes dates _____
 Ties to Institution (Member is, or has been at one time, associated with the school in the following capacities)
 Administration no yes Professor no yes Alum no yes
 Current Student no yes Church no yes Other no yes

28) Name(or ID) _____ Birthdate _____ Sex _____ Ethnicity _____
 Yrs of Education _____ Educational Emphasis _____ Functional Background (primary career position) _____
 Date Joined Board _____ Current Member yes no if no, date left board _____
 Committee Membership (Member has/is serving on the following board committees. - If yes, provide dates of service.)
 Executive no yes dates _____ Student Affairs no yes dates _____
 Finance no yes dates _____ Academic Affairs no yes dates _____
 Development no yes dates _____ Other no yes dates _____
 Ties to Institution (Member is, or has been at one time, associated with the school in the following capacities)
 Administration no yes Professor no yes Alum no yes
 Current Student no yes Church no yes Other no yes

29) Name(or ID) _____ Birthdate _____ Sex _____ Ethnicity _____
 Yrs of Education _____ Educational Emphasis _____ Functional Background (primary career position) _____
 Date Joined Board _____ Current Member yes no if no, date left board _____
 Committee Membership (Member has/is serving on the following board committees. - If yes, provide dates of service.)
 Executive no yes dates _____ Student Affairs no yes dates _____
 Finance no yes dates _____ Academic Affairs no yes dates _____
 Development no yes dates _____ Other no yes dates _____
 Ties to Institution (Member is, or has been at one time, associated with the school in the following capacities)
 Administration no yes Professor no yes Alum no yes
 Current Student no yes Church no yes Other no yes

30) Name(or ID) _____ Birthdate _____ Sex _____ Ethnicity _____
 Yrs of Education _____ Educational Emphasis _____ Functional Background (primary career position) _____
 Date Joined Board _____ Current Member yes no if no, date left board _____
 Committee Membership (Member has/is serving on the following board committees. - If yes, provide dates of service.)
 Executive no yes dates _____ Student Affairs no yes dates _____
 Finance no yes dates _____ Academic Affairs no yes dates _____
 Development no yes dates _____ Other no yes dates _____
 Ties to Institution (Member is, or has been at one time, associated with the school in the following capacities)
 Administration no yes Professor no yes Alum no yes
 Current Student no yes Church no yes Other no yes

31) Name(or ID) _____ Birthdate _____ Sex _____ Ethnicity _____
 Yrs of Education _____ Educational Emphasis _____ Functional Background (primary career position) _____
 Date Joined Board _____ Current Member yes no if no, date left board _____
 Committee Membership (Member has/is serving on the following board committees. - If yes, provide dates of service.)
 Executive no yes dates _____ Student Affairs no yes dates _____
 Finance no yes dates _____ Academic Affairs no yes dates _____
 Development no yes dates _____ Other no yes dates _____
 Ties to Institution (Member is, or has been at one time, associated with the school in the following capacities)
 Administration no yes Professor no yes Alum no yes
 Current Student no yes Church no yes Other no yes

32) Name(or ID) _____ Birthdate _____ Sex _____ Ethnicity _____
 Yrs of Education _____ Educational Emphasis _____ Functional Background (primary career position) _____
 Date Joined Board _____ Current Member yes no if no, date left board _____
 Committee Membership (Member has/is serving on the following board committees. - If yes, provide dates of service.)
 Executive no yes dates _____ Student Affairs no yes dates _____
 Finance no yes dates _____ Academic Affairs no yes dates _____
 Development no yes dates _____ Other no yes dates _____
 Ties to Institution (Member is, or has been at one time, associated with the school in the following capacities)
 Administration no yes Professor no yes Alum no yes
 Current Student no yes Church no yes Other no yes

33) Name(or ID) _____ Birthdate _____ Sex _____ Ethnicity _____
 Yrs of Education _____ Educational Emphasis _____ Functional Background (primary career position) _____
 Date Joined Board _____ Current Member yes no if no, date left board _____
 Committee Membership (Member has/is serving on the following board committees. - If yes, provide dates of service.)
 Executive no yes dates _____ Student Affairs no yes dates _____
 Finance no yes dates _____ Academic Affairs no yes dates _____
 Development no yes dates _____ Other no yes dates _____
 Ties to Institution (Member is, or has been at one time, associated with the school in the following capacities)
 Administration no yes Professor no yes Alum no yes
 Current Student no yes Church no yes Other no yes

34) Name(or ID) _____ Birthdate _____ Sex _____ Ethnicity _____
 Yrs of Education _____ Educational Emphasis _____ Functional Background (primary career position) _____
 Date Joined Board _____ Current Member yes no if no, date left board _____
 Committee Membership (Member has/is serving on the following board committees. - If yes, provide dates of service.)
 Executive no yes dates _____ Student Affairs no yes dates _____
 Finance no yes dates _____ Academic Affairs no yes dates _____
 Development no yes dates _____ Other no yes dates _____
 Ties to Institution (Member is, or has been at one time, associated with the school in the following capacities)
 Administration no yes Professor no yes Alum no yes
 Current Student no yes Church no yes Other no yes

35) Name(or ID) _____ Birthdate _____ Sex _____ Ethnicity _____
 Yrs of Education _____ Educational Emphasis _____ Functional Background (primary career position) _____
 Date Joined Board _____ Current Member yes no if no, date left board _____
 Committee Membership (Member has/is serving on the following board committees. - If yes, provide dates of service.)
 Executive no yes dates _____ Student Affairs no yes dates _____
 Finance no yes dates _____ Academic Affairs no yes dates _____
 Development no yes dates _____ Other no yes dates _____
 Ties to Institution (Member is, or has been at one time, associated with the school in the following capacities)
 Administration no yes Professor no yes Alum no yes
 Current Student no yes Church no yes Other no yes

36) Name(or ID) _____ Birthdate _____ Sex _____ Ethnicity _____
 Yrs of Education _____ Educational Emphasis _____ Functional Background (primary career position) _____
 Date Joined Board _____ Current Member yes no if no, date left board _____
 Committee Membership (Member has/is serving on the following board committees. - If yes, provide dates of service.)
 Executive no yes dates _____ Student Affairs no yes dates _____
 Finance no yes dates _____ Academic Affairs no yes dates _____
 Development no yes dates _____ Other no yes dates _____
 Ties to Institution (Member is, or has been at one time, associated with the school in the following capacities)
 Administration no yes Professor no yes Alum no yes
 Current Student no yes Church no yes Other no yes

(copy additional copies of this page if necessary)

37) Name(or ID) _____ Birthdate _____ Sex _____ Ethnicity _____
 Yrs of Education _____ Educational Emphasis _____ Functional Background (primary career position) _____
 Date Joined Board _____ Current Member _____yes _____no If no, date left board _____
 Committee Membership (Member has/is serving on the following board committees. - If yes, provide dates of service.)
 Executive _____no _____yes dates _____ Student Affairs _____no _____yes dates _____
 Finance _____no _____yes dates _____ Academic Affairs _____no _____yes dates _____
 Development _____no _____yes dates _____ Other _____no _____yes dates _____
 Ties to Institution (Member is, or has been at one time, associated with the school in the following capacities)
 Administration _____no _____yes Professor _____no _____yes Alum _____no _____yes
 Current Student _____no _____yes Church _____no _____yes Other _____no _____yes

38) Name(or ID) _____ Birthdate _____ Sex _____ Ethnicity _____
 Yrs of Education _____ Educational Emphasis _____ Functional Background (primary career position) _____
 Date Joined Board _____ Current Member _____yes _____no If no, date left board _____
 Committee Membership (Member has/is serving on the following board committees. - If yes, provide dates of service.)
 Executive _____no _____yes dates _____ Student Affairs _____no _____yes dates _____
 Finance _____no _____yes dates _____ Academic Affairs _____no _____yes dates _____
 Development _____no _____yes dates _____ Other _____no _____yes dates _____
 Ties to Institution (Member is, or has been at one time, associated with the school in the following capacities)
 Administration _____no _____yes Professor _____no _____yes Alum _____no _____yes
 Current Student _____no _____yes Church _____no _____yes Other _____no _____yes

39) Name(or ID) _____ Birthdate _____ Sex _____ Ethnicity _____
 Yrs of Education _____ Educational Emphasis _____ Functional Background (primary career position) _____
 Date Joined Board _____ Current Member _____yes _____no If no, date left board _____
 Committee Membership (Member has/is serving on the following board committees. - If yes, provide dates of service.)
 Executive _____no _____yes dates _____ Student Affairs _____no _____yes dates _____
 Finance _____no _____yes dates _____ Academic Affairs _____no _____yes dates _____
 Development _____no _____yes dates _____ Other _____no _____yes dates _____
 Ties to Institution (Member is, or has been at one time, associated with the school in the following capacities)
 Administration _____no _____yes Professor _____no _____yes Alum _____no _____yes
 Current Student _____no _____yes Church _____no _____yes Other _____no _____yes

40) Name(or ID) _____ Birthdate _____ Sex _____ Ethnicity _____
 Yrs of Education _____ Educational Emphasis _____ Functional Background (primary career position) _____
 Date Joined Board _____ Current Member _____yes _____no If no, date left board _____
 Committee Membership (Member has/is serving on the following board committees. - If yes, provide dates of service.)
 Executive _____no _____yes dates _____ Student Affairs _____no _____yes dates _____
 Finance _____no _____yes dates _____ Academic Affairs _____no _____yes dates _____
 Development _____no _____yes dates _____ Other _____no _____yes dates _____
 Ties to Institution (Member is, or has been at one time, associated with the school in the following capacities)
 Administration _____no _____yes Professor _____no _____yes Alum _____no _____yes
 Current Student _____no _____yes Church _____no _____yes Other _____no _____yes

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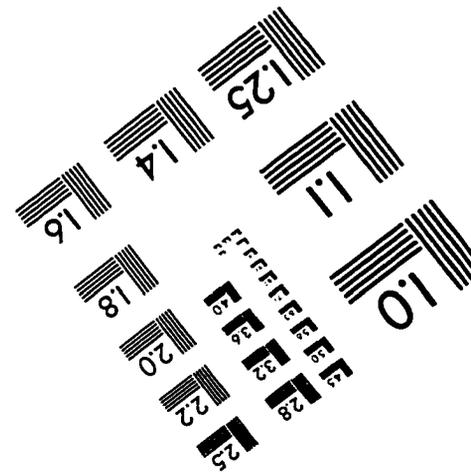
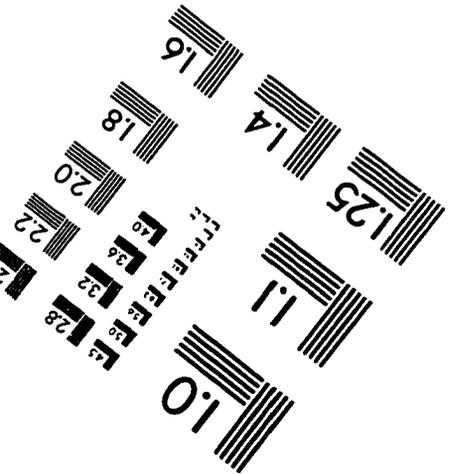
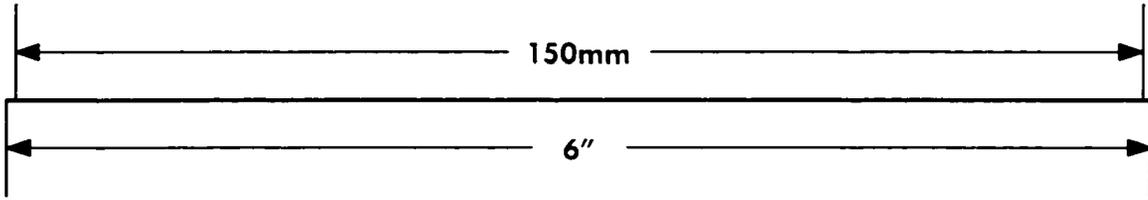
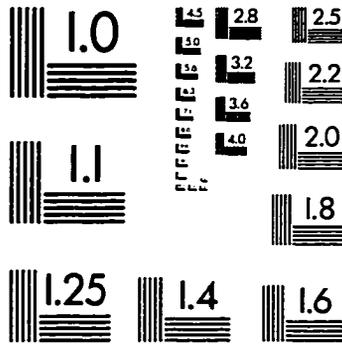
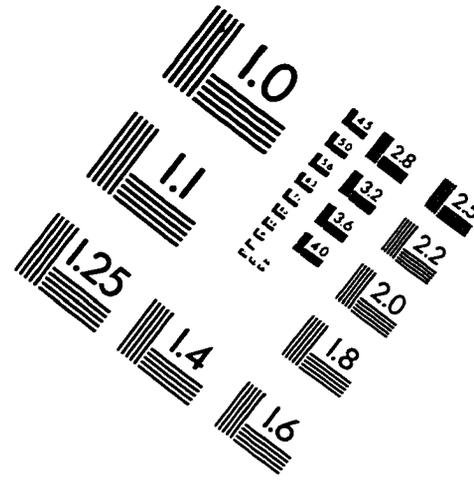
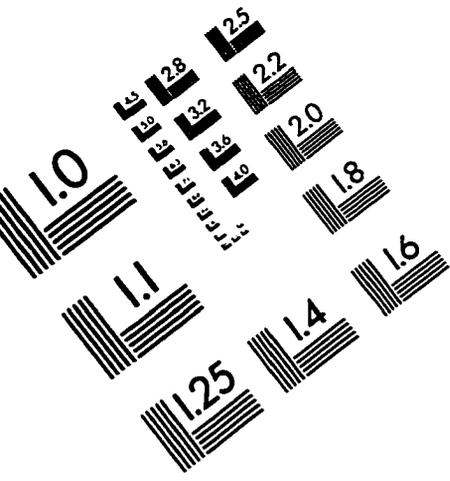
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IMAGE EVALUATION TEST TARGET (QA-3)



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