The Power and Functions of Boards of Directors:
A Theoretical Synthesis

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Many social scientists have assumed that the boards of directors (governing boards) of corporate organizations control their organizations in name only. Others, examining the relationship of American social and business elites to the operation of welfare organizations and elite social clubs conclude that they are controlled by their boards. This contradiction is resolved by a theoretical analysis of the external "detachable" resources, personal characteristics, and strategic contingency situations conducive to more or less board power vis-à-vis executives. Bases of board power include control of resources and knowledge about organizational operation. Personal characteristics affecting board members power are social status and sex. Strategic contingencies are events of organizational life cycles, such as mergers, major program and goal changes, and selection of chief executives, conducive to the exercise of board power.

Such broad-scale metaphors as "The Managerial Revolution" (Burnham 1941) or "The Power Elite" (Mills 1957) direct our attention to the control of major decisions both at the level of the total society and of large-scale organizations. Although these metaphors and their associated underlying variables lead to hypotheses that may be testable in long historical perspective, they are too gross for short-run analysis. In formulating hypotheses about the control of organizations, for instance, we must specify a range of variables and conditions under which elites or managers may or may not influence important decisions.

Analysis of the functions and conditions of power of boards of directors provides intellectual leverage on this question of the control of organizations. The board of directors of a corporate organization has formal and legal responsibility for controlling and maintaining organizational operation and effectiveness (Lattin 1959, pp. 211–78). The corporate form with its board of directors (governing boards) has been applied to many types of organizations, for example, businesses, voluntary welfare associations, private schools, public school systems, hospitals, and governmental agencies with "autonomous" or independent functions.2

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2 It should be noted that the earliest corporations were religious orders (see Davis 1961).

97
American Journal of Sociology

Yet as the size and scope of organizations have increased, some scholars have doubted whether the formal system of board control does any more than provide lip service to the law. Those who argue that boards of directors are merely a legal and coopted appendage believe organizations are controlled by the full-time managers (Gordon 1945, chaps. 5 and 6). They believe boards are at the mercy of the managers who control information, definitions of alternatives, the nominating process, and, indeed, the very agenda of decision making. On the other hand, some students—especially those looking at welfare organizations and the American stratification system, note that boards have ultimate power to hire and fire executives, which shapes executives’ decision premises (Hunter 1963, pp. 231–36; Baltzell 1958, pp. 364–83).

The pervasiveness of the corporate form in America and the disagreement over the importance of boards of directors relates not only to sociological questions but to policy ones as well. Although this essay does not deal directly with policy issues, it is worth noting that questions of the proper and improper activities of boards of directors preoccupy several arms of government.

In this theoretical synthesis of propositions about the power and influence of boards of directors our general orientation is that, in the relationships among boards (as collectivities), individual board members, and executives, each party brings to bear “resources.” These resources may be based in legal rights, in monetary control, in knowledge, or even in force of personality and traditions. Resources may be crudely classified as “detachable” resources, personal characteristics, and strategic contingency situations. It is the balance of resources for specific situations and decisions that determines the attribution of relative power in the encounter between boards and executives.

It must be noted that the power of boards of directors or of individual board members does not refer to their formal voting rights. As in so many voting situations, formal voting may be irrelevant to many (though not all) of the crucial decisions. Instead, the power of board members relates to their service on and control of key committees and the extent to which

3 “I've been concerned and at the same time both amused and somewhat guilty about the fact that the Board of Directors makes policy decisions, both by authority of the by-laws and in the actual voting they do; yet actually in the present day family casework agency the staff has to ‘educate’ the Board constantly and persistently and it certainly does choose the elements of education which lead toward the conclusions of which the staff approves. In other words, we tell them how to vote and they vote and we call that process ‘the Board sets the policies of the agency . . .’. I can frankly cite very few instances when Board opinion has influenced my judgment about policy and practices during (the many) years I have been Executive of this agency, although the Board has made every important policy decision and has been ‘informed’ ad nauseum before every decision.” This is from a letter written by the executive of a family service agency in 1956 (see Wilensky and Lebeaux 1965, p. 273).

4 Heffernan (1964) shows how social work executives moderate their political activities to keep in the good graces of their boards.
Boards of Directors

other members and the management (who may also be board members) find it necessary to be bound by their perspectives and ideas.

The corporation form (as we have come to know it) was created as a means of accomplishing “desirable” ends that were beyond the capabilities of individuals. Boards of directors were created and recognized in law in order to insure continuity in the management of organizations and to fix a locus of responsibility for the control of “independent” organizations.5 Boards are charged with the proper use of resources in pursuit of organizational goals. Directors are not personally responsible for organizational losses, but they are responsible for prudent action in behalf of the “owners” (whomever that might be).

Prudent action includes appointing and perpetuating effective management of the organization and overseeing the work of such management. This control function of the boards of directors is inward looking; the board operates as the agent of the corporation at the request of the owners (members) to oversee organizational activity.6

Because of their formal position of responsibility and their involvement in the organization, boards also develop an outward-looking function; they promote and represent the organization to major elements of the organizational set, for example, customers, suppliers, stockholders, interested agencies of the state, and the like. That is, they defend and support the growth, autonomy, and effectiveness of their agencies vis-à-vis the outside world.

Obviously, boards differ in the extent to which they perform either the external representation or internal control functions. For instance, it is likely that boards of prosperous manufacturing firms, in a competitive industry, and with unproblematic governmental relations, have less of an external representation function than welfare agencies heavily dependent on wealthy donors or on the community fund. Similarly, in small organizations in which board members have intimate knowledge, they may decide all nonroutinized expenditures, major personnel changes, markets, and types of product. In other organizations they may be restricted to formal appointment of the executive and the auditor and to setting executive salaries.

Although there is this variety, there are some relatively standard activities in which boards engage and which have implications for their potential power. First, a major concern of boards tends to be personnel. At the very least, boards usually must choose a chief operating officer and decide on his salary (if there is one). Second, boards that are not “paper boards,” that actually hold meetings and discuss organizational affairs,

5 Although much of our discussion is applicable to governmental organizations, most of it is framed in terms of nongovernmental ones. Governing boards and organizations in the “public” sector tend to have less autonomy of organizational operation. Mainly discussing private organization gives our propositions a greater specificity and concreteness.

6 We usually think of boards of directors as agents of the “owners,” but legally they are servants of the corporation vested with corporate control. On the ambiguities here, see Marris (1964, pp. 12–13).
American Journal of Sociology

usually review the financial condition of the organization and set financial policy (dividend rates, capital indebtedness, etc.). In some cases the rules and bylaws of the board require formal approval for all nonroutine expenditures over a stipulated amount. Finally, many boards review organizational output, its “product,” markets, and comparative operating efficiency. Which of these activities are performed, and to what extent, depends on the structure of the organization, its environmental interrelations, and the sources of board member power vis-à-vis executives.

DETACHABLE RESOURCES A POWER BASE

A resource is “detachable” if it is not closely tied to the person, that is, if it is transferable. Utilizing a cross-sectional approach, we examine gross variables between organizations and between board members causing differences in the relative power of boards and individual board members.

There are two main bases of power considered. First, the relative power of board members can be based on their access to and control of relevant external resources. Second, knowledge relevant to the ongoing operations of the organization may be considered an internal organizational base of power differentially distributed between boards and executives.

EXTERNAL BASES OF POWER

The members of a board of directors may serve largely on the sufferance of the executive or they may “represent” salient blocs of shareholder votes, sources of financial material support, or of community legitimation and representation. In general, to the extent that board members control or represent salient external “resources,” they are more powerful than if they do not control such resources. (For this and all other propositions, read “everything else being equal.”)

Stockownership.—Stockownership in a corporation is an external basis of power because it is completely dependent on definitions of legal rights attached to shares. The owner of common stock does not own a “piece” of the corporation, but a right to a certain proportionate share of voting power on a restricted list of issues (including the election of board members), declared dividends, and, in the extreme case, the distribution of the corporation’s assets. Board member power is related to the relative dispersal of stockownership. Where stockownership is widely dispersed, board members have low power; where board members represent major blocs of stock, they have high to moderate influence; where shareownership is highly concentrated, only the board members representing the dominant group of owners have high influence.

Under high dispersion conditions, the incumbent management (chairman and/or the president) controls the solicitation and voting of proxies, nominates all committee chairmen, assigns them to their duties, and controls the internal process of the board. New board members are appointed at the discretion of the nominating committee, which in turn is a creature of
Boards of Directors

the chairman's. In this situation, the board and individual board members are relatively weak.

By possession of a large enough share of votes, a shareowner (or group of shareowners) can press for a seat on the board. Often such representation is equivalent to partial control, for the management wishes to avoid proxy fights and open conflicts. Therefore, the perspectives of the voting bloc get incorporated in management's decision premises. However, there may be several such blocs.

When one person or family controls a major bloc of stock or even a majority, the power of the board, as a whole, and management declines. Here power is centralized as in the case of the widely dispersed ownership situation, but now it is centralized in the hands of the representatives of the owning family or person. While the "forms" of board action are maintained to satisfy legal requirements, the board serves at the discretion of the controlling owners.

At least since Berle and Means (1932) it has been assumed that the historical trend is toward the dispersal of ownership. This particular generalization has served the interests of those arguing "everyone a capitalist," and it has led to a gross oversimplification of the extent of ownership dispersion. It has also encouraged many scholars to assume that boards are powerless. Villarejo's (1961, pp. 51–52) painstaking analysis indicates that of the largest 232 (out of 250 on the 1960 Fortune list) industrial corporations for which data were available, the directors as a group owned 5 percent or more of the stock in seventy-six of them. Furthermore, since this does not include stocks of corporations held by other corporations represented on the board, there is no question but that there is even more concentration. Lundberg's (1968, App. B) more impressionistic, but historically rich, analysis would indicate that about two-thirds of the largest 200 corporations have "large" family holdings. Although direct family ownership of a majority of shares may have declined, the control of stock in beneficial trusts combined with direct ownership remains a significant control base.

External funding and facilities control.—The general proposition about

7 The ability to "press" for a seat on the board is related to the ability to wage proxy fights and to command the loyalty of other stockholders. The insurgents are more likely to gain other stockholders' loyalties if the company has been unsuccessful in making profits relative to its profit potential. For a dramatic rendering of a proxy fight, see Nizer (1961, pp. 427–624). The ability to press for a seat is also related to the voting rules required by the state. Cumulative voting aids minorities in electing directors (see Williams 1951).

8 I have been purposefully vague about the percentage of stocks that must be owned by a dominant family. If all other stocks are widely dispersed or held by nonactive groups (e.g., insurance companies, trust accounts in banks, pension funds) even 5 or 6 percent may represent a dominant bloc (see the discussion in Villarejo 1961, pp. 54–55).

9 Villarejo (1962, pp. 53–54) also studied the distribution of ownership among the directors in these 232 corporations. Of 2,784 directors (individuals, some holding multiple directorships), ninety-nine "propertied rich" (those who inherited their shares or who were wealthy before becoming attached to the company in question) owned 73 percent of the shares owned by all directors. Furthermore, 12 percent of total shares could be traced to the propertied rich.
American Journal of Sociology

the external resource base of board members also applies to control of capital and facilities. For many corporations, profit and nonprofit alike, a major source of board member control and influence stems from their control of crucial inputs of capital, raw materials, or "market."

Control of external resources serves as a lever for board power when the organization finds it difficult to secure these facilities from other sources and requires this resource. We would expect greater dependency on the board members representing banks during depressions than during times of prosperity. Furthermore, industries that are debt ridden would be more likely than others to have representatives of lenders on their boards; the railroads, which are a high debt ratio industry, are reported by Newcomer (1955, p. 54) to have a higher proportion of bankers on their boards than other industries she studied. To the extent that organizations can raise money from ongoing operations, both the money market and the money lender become less important to the organization, and external dependency is decreased.10

The proposition about external dependency also applies to nonprofit and voluntary agencies. The historic pattern of raising funds has seen a shift from the support of agencies by a few wealthy philanthropists to mass campaigns and community funds. When agencies were the "agents" of one or two families, or a small circle, the policies and procedures were sharply governed by these members of the board and by the chief funders. As funding shifts to the community fund or to mass drives, the power of the board as funders may decrease. Two corollary hypotheses can be stated for voluntary agencies: (1) The more agencies receive contributions in small amounts from many givers, the less the likelihood of board members having power vis-à-vis the executives. (2) To the extent that fund-raising campaigns are based more on a sharp image of need and less on interpersonal relations of board members and fund raisers, we would expect the influence of the board member to be diminished.

The growth of community funds has a complex relation to the structure of individual boards. The fund represents a centralized source of financial support, and the amount received from the fund can be crucial to the agencies involved.

The funds themselves allocate money through committees made up of businessmen, housewives, and professionals. To the extent that profes-

10 Commentators of the Berle and Means school have argued that as corporations have grown larger their policy of retaining a large proportion of earnings rather than distributing them as dividends (most of the larger corporations distribute less than half of net earnings) leads to the corporations becoming divorced from the money market, and to the decline of importance of the role of bankers and especially investment bankers. A word of caution is in order. Littner (1959, pp. 166-201) has summarized his studies of the rate of borrowings, bond flotation, and the like. His findings suggest that the rate of corporate borrowings has not declined over time—instead it fluctuates inversely with the cost of money. Furthermore, he concludes that even among the largest nonfinancial corporations there is no long-range trend for increased reliance on internal funds.
Boards of Directors

Professionals dominate the funds, we would expect the boards of the agencies to become less important in interceding for the organization. However, students of these organizations suggest that there is a correlation between the prestige of the boards of agencies and their likelihood of having their requests granted a respectful hearing. Auerbach (1961) suggests that the settlement house serving a slum neighborhood but having an unknown board is less likely than the middle-class agency having a prestige (“power”) board to receive a favorable hearing. The high-prestige board member may not only be generally respected but may control significant financial contributions to the fund. If Auerbach is correct, the maintenance of a prestige board facilitates relations with the community fund.

Community legitimation.—Board members may control neither shares nor tangible external facilities and yet “control” an important external resource, a segment of community legitimation. They control community legitimation in that they “represent” diverse groups or interests which can be mobilized to affect the organization. Such organizations as boards of education and government commissions have boards either elected directly by the voters or appointed by the political executive. In general, the more closely board members are linked to external groups, the more they “represent” community legitimation and, therefore, the more powerful they are vis-à-vis the administrative leadership. Board members may be elected or appointed and yet not represent group interests if, for instance, appointment is “nonpartisan” and if board membership is largely symbolic. The more diverse and intense the interests in a given organization, however, the more likely the organization is to be politicized and the more likely board members are to represent community segments.

All three of the external bases of power discussed above provide opportunities for factions to arise as groups commanding different resources contend for the definition of organizational goals and directions and for control of the organization. The larger the number of board members having external bases of power, the more likely are coalitions of board members to arise. Furthermore, given a number of board members with external bases of power, the more divergent the definitions of organizational goals and policies, the more likely are the coalitions to resemble factions.

Even if board members do represent external interests, ownership, or sources of funding, factions need not arise and board members need not attempt to influence managerial decision premises. An ideology of professionalism may lead to an effective abrogation of the role of the board. In such cases, the board serves to provide a mantle of legitimation and community justification (Kerr 1964). Only when a given issue is defined as outside of legitimate professional competence will board members’ attitudes and perspectives begin to influence decisions. Thus, Crain and Street (1966) note that, in large cities, on the issue of school policy toward desegregation, it is the board and its attitudes, not the school superintendents’ professional or personal perspectives, that predict the outcome of policy debate.

103
American Journal of Sociology

INTERNAL RESOURCES: KNOWLEDGE

Knowledge is a “detachable” resource in that it can be acquired and lost. Detailed knowledge of the organization and its problems is a *sine qua non* of decision making. The board member or executive without knowledge has difficulty influencing the decision process, especially when there are agreed-upon goals. Knowledge can come from detailed familiarity with the specific organization or from general expertise about a given technical process.

Several conditions of organizational size, complexity, and technology condition the ability of boards to have sufficient knowledge to challenge and/or formulate lines of action. At the most general level, sufficient knowledge is a function of the degree of complexity of the organization and the technicality of its knowledge base. The greater the complexity of the organization and the more technical its knowledge base, the lower the influence of board members. This proposition leads us to expect, for instance, that larger organizations, with many product lines or task domains and geographically dispersed units, would have a less well-informed board than smaller, more concentrated organizations.

When an organization is small, with few plants, products, and markets, the directors can have independent knowledge of the plants, contact with the staff at several levels, and detailed acquaintance with the community and market situation. As the organization grows larger, the board member becomes increasingly dependent on the staff for his information. Furthermore, the organization is usually structured to channel information to and through the president or chief operating officer. Thus, the board becomes dependent on the executive, and one of their few outside checks becomes the balance sheet, subject to independent audit. Even accounting reports may become so complex that a high degree of familiarity and expertise is needed for their interpretation.

Of course, as the organization becomes larger and more complex, the chief operating officers also become more dependent on their staff. But the staff’s conditions of work are directly dependent on the executive, and to some extent he is able to use them as his eyes. Even though the executive is formally appointed by the board, his greater knowledge of the full range of organizational concerns allows him to shape the kinds of information they receive and the kinds of matters they discuss.

Boards may be adapted to this imbalance in knowledge by being required to spend more time on organizational affairs (Brown and Smith 1957, pp. 57–59). Sometimes, the appointment of “inside” board members (full-time executives) is recommended as a solution, but the independence of the officer from the chief executive cannot be assured.14

The relevance of knowledge to power becomes even clearer if we examine organizations in which various kinds of professionals and scientists furnish

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14 Questions about the functions of inside directors pervade the policy-oriented literature. Wiley (1967) shows that among large corporations there is a slight tendency over time for them to have a greater proportion of outside board members. His findings are at variance with popular stereotypes.
the key services of the organization. For instance, we would expect boards of directors of hospitals to be concerned mainly with financial matters while boards of educational institutions might have a greater say in personnel matters, though not curriculum matters, and finally, boards of such organizations as YMCAs might be involved in decisions about all phases of organizational activity. Where the knowledge base is esoteric, the board is not able to evaluate the requirements of the organization for new lines of endeavor, or to evaluate lines of action and personnel except in terms of fiscal matters.

Again there are adaptive solutions to the imbalance. Boards may delegate to internal committees the evaluation of projects involving technical decision criteria. Second, they may add to the board members with technical knowledge. General expertise, acquired outside of the organization, becomes a base for power.

To this point, I have offered propositions about bases of power which increase or decrease the board members’ potential to influence the policies of large-scale organization, focusing on external resource control and the relative imbalance of knowledge. However, this cross-sectional approach is limited in at least two ways. First, I have played down the identities or characteristics of board members that may influence their role in boards. Second, I have ignored the process and phasing of boards that lead them to be more or less important and powerful at different times.

PERSONAL CHARACTERISTICS AND PARTICIPATION

Attributes attached to persons such as social status, sex, and personality are very general factors influencing how an individual will relate to others and how others will respond. While they are not “detachable” resources (at least to the same extent) as were those discussed in the last section, they are external characteristics brought into the board-executive relation from the larger society, and they affect the participation and influence of board members.

SOCIOECONOMIC STATUS

Given the structure of American society and the function of boards in controlling property, in legitimating voluntary agencies, and in linking the activities of diverse institutions, it is not surprising that members of boards of directors tend to be selected from the higher reaches of the stratification system. While some organizations, such as YMCAs and settlement houses may dip into the middle-middle class for a few board members, most

12 Goffman (1961, p. 30) distinguishes between “external resources” and “realized resources” to discuss the exactly parallel phenomena of how external resources become determinants of interaction locally realized.

13 In our study of the Chicago YMCA, less than 10 percent of the almost 1,000 board members of the thirty-seven local departments were rated in 1961 as earning less than $8,000 a year.
American Journal of Sociology

board members will be drawn from the higher reaches of the socioeconomic pyramid.

The prestige and status of the board member gives him a reputation which affects others’ reactions to him, and it gives him a set of expectations of how others should react to him. In general, the higher the prestige and status of the member, the more likely other board members and staff are likely to defer to his opinions.

Of course, reputation and generalized status do not fully determine influence. Strodtbeck, James, and Hawkins (1957) have presented data from jury deliberations indicating that the higher-status jury members are more likely to be chosen as foremen and have high rates of initial participation and, presumably, influence. However, they also note that, over time, the correlation between SES, participation, and influence declines. Generalizing from the findings of Strodtbeck et al., we might expect that, if the only criteria for allocating influence is participation and knowledgeability, the low-status members who participate highly and are knowledgeable will become equal to the higher-status board members, even though officers will be more likely to be drawn from higher-status members.

However, if the functions of boards involve more than just deliberation (as in the jury), the external resources of votes controlled, access to funds, and prestige which can be used in interorganizational relations will guarantee to the higher-status board members a greater share of influence. (See the above discussion of the role of “power” boards.) Furthermore, if we compare boards composed of people of different status levels, those in higher-status boards are likely to expect a higher level of deference and influence than boards composed of people from the middle ranks (Moore 1961).

The comments above also apply to the relation of executives to boards as well as among board members. Some boards employ executives whose salaries and status may be equivalent to or higher than that of the board members (e.g., in some YMCAs and in school boards). If so, executive influence is enhanced.

SEX

Societal role definitions associated with sex also influence board member participation. Babchuk, Marsey, and Gordon (1960) found that, in a middle-sized community, women are more likely to be on boards of smaller and low prestige organizations than on the boards of the larger voluntary agencies—the hospitals and universities. Not only do women have less command of external resources—they rarely represent major bureaucratic organizations—but, on the average, they are socialized to more passive role taking. In boards with male executives, we would expect women to have less influence than men, to participate less freely in discussion, to be less assertive, and to be taken seriously to a lesser degree.

Other personal characteristics also influence board-executive interaction. The range of personality and self-presentation variables that are relevant is well known. Instead of pursuing them, the discussion turns to phases of
organizational growth and change that implicate board power. In these last two sections resources have attached to the individual role occupant. But now we turn to power resources attached to the situation, that is, to the role expectations and definitions created by the ongoing social system.

STRATEGIC CONTINGENCIES SITUATIONS

Examination of the functioning of a board over long periods of time would reveal an ebb and flow of board functions, importance, and power during different phases of organizational development and activity. Organizational phases affect the power of boards in several ways. First, at some points in the history of an organization, the formal requirements of board ratification and action require at the very least that managers get the approval of the board. Even if the board is but a rubber stamp, such periods allow some reinforcement of the image of board power. Furthermore, at such times dissident board members have a chance to crystallize board discontent with management and to express such discontent. At other times, the absence of meetings and debated issues prohibits such expression. Second, the phases of organizational development require the board to perform activities in the service of the organization—such as fund raising—that give it power over the managers. Thus some of our “cross-sectional” propositions (above) may also be implicated in the phase development of organizations.

Let us specify a number of broad organizational problems that not only require board action but also seriously implicate the responsibility of board members to debate and decide organizational matters.

The general proposition is that it is during the handling of major phase problems, or strategic decision points, that board power is most likely to be asserted. It is at such times, too, that basic conflicts and divisions both within the board and between the managers and the board are likely to be pronounced. Three types of broad-phase problems are discussed: life-cycle problems, choosing of successors, and fund-raising and facilities expansion.

LIFE-CYCLE PROBLEMS

Life-cycle problems are those of organization genesis, character formation and transformation, and basic identity.

Organization genesis.—When a corporate organization is newly established, or when the board as a responsible agent is being formed, a great deal of attention is likely to be paid to the formulation of policy, the roles of managers and boards, and the formulation of guidelines for actions. Boards will meet regularly and often, and it is likely that board power and influence will be continuously used and called upon.

But qualification is in order; many business corporations develop out of individually owned firms or partnerships. If the new board does not control ownership certification, the power of the board may be relatively restricted during this period.

107
American Journal of Sociology

Character crises and transformation.—Organizations develop characters which become institutionalized in procedures and modes of handling problems. Organizational character, a term used by Selznic (1957), is the standard pattern developed for resolving recurring and basic problems and conflicts within the organization and with the organization's environment. These include such aspects of organization environment and intraorganization relations as labor policy, major product emphases, market strategies, relation to competitors, and quality-quantity emphases.

Pressures to change these aspects of character almost inevitably become issues for the board of directors. First, both legal requirements and the standard functions of boards in policy setting become obviously implicated when the major dimensions of the organization are subjected to change. Second, if these aspects of character have developed qualities of the sacred and traditional, as so often happens, changing them is likely to develop conflict. The managers will be forced both by divisions among the managers and by the awareness of concerned board members to bring such matters to the board.

In general, the more routine and stable the organization in all its aspects—for example, labor, market, financing, etc., the less likely are crises of character to occur and the less likely are boards to be mobilized.¹⁴

Moreover, character crises are likely to be more difficult to solve in organizations without computational criteria¹⁵ for choosing among alternatives. For instance, voluntary welfare agencies with their ambiguous goals and unproven means are likely to have more prolonged debate on such matters than are businesses.

Identity crises.¹⁶—Large-scale organizations have identity crises of several kinds. One is the crisis of mergers in which the existence of the organization as an organization is threatened, even though there is perpetuation of the function and the capital of the organization. A second is the threat to vanish entirely. A third identity crisis is involved in joint undertakings with other organizations. Such joint undertakings partially restrict the autonomy and independence of organizations.

Because there are often clear benefits to be gained through organizational mergers or joint undertakings, it is possible that business corporations, as a class of organizations, have a higher rate of identity crises than other kinds of organizations. However, YMCAs, orphanages, settlement houses, ethnic-based community centers, religious denominations, universities, governmental commissions, and others have all faced identity crises—problems of fission and fusion. Again, it is when issues like these are debated that boards are most fully involved and likely to have influence.

¹⁴ See an interview with Cordiner (1967), former president of General Electric, for a discussion of the role of the board during GE's internal transformation of organizational structures.

¹⁵ The phrase "computational criteria" refers to known means to agreed-upon goals (see Thompson and Tuden 1958, pp. 195–216).

¹⁶ Identity crises are subcases of character crises—i.e., those subcases in which an organization's social recognition as an entity are at stake.
CHOOSING A SUCCESSOR

Often the only real contact board members have with the organization is through the chief executive, and one of the prime responsibilities of boards is the choice of effective managerial leadership. In some organizations the board chooses only the chief executive, but in others the board may take an active part in appointing most upper executives. The amount of active participation in appointing upper executives is probably a good index of its power. More important here, it is at the time of choosing a successor that board power is most mobilized (Zald 1965).

Succession processes can vary greatly. Of course, if a dominant executive or controlling group creates a “crown prince” or appoints the successor, then the board as such only ratifies the appointment. A crown prince appointment by a chief executive (not by a controlling ownership group) can only be effective when a retiring chief has been seen as successful. Thus, just as we suggested that the board is more likely to be active when an organization is involved in crises, so too is it more likely to be active in choosing a successor when the organization is facing a crisis.

The choosing of a successor often allows the basic questions of organizational mandate, character, and identity to come to the fore. Since the choice of the executive is so closely linked to decisions about organizational directions, it is natural to have a period of stock taking at that time.

Since the mobilization of board influence occurs around the time of succession, the periodicity of succession becomes of great importance. Because of deaths, age, and career patterns, some boards may be confronted fairly often with questions of succession, while others may only confront this question once in a generation. (Some Protestant denominations appoint their ministers yearly, while many larger business corporations try to arrange for ten-year terms for their chief executives.)

CONCLUSIONS

Such phrases as the “managerial revolution” or the “power elite” call to mind great forces and processes in society. Some of the propositions implied by the metaphors are patently true. For instance, it is clear that large bureaucratic organizations are hallmarks of modern society, and, consequently, the heads of these organizations are in a position of potential power. Nevertheless, detailed investigation is required to spell out the conditions of their power and their relative power in different situations. Eventually, a complex theory of power and control in modern society will be required.

Without directly attacking the global questions posed by Burnham (1941) and Mills (1957) we have dealt with one aspect of the phenomena they discuss—the control of major bureaucratic organizations. In particular we have suggested a range of external detachable resources, personal characteristics, and strategic contingency situations that affect the conditions of board power. Many of the hypotheses presented appear
American Journal of Sociology

fairly obvious. Nevertheless, taken together, this presentation, I believe, demolishes the cavalier approach to boards taken by both economists and sociologists. Boards of directors may sometimes be impotent, and they may sometimes be all powerful. The question is: In what kinds of organizations under what conditions?

Furthermore, more complex theoretical treatments are possible. Boards may be most implicated in decisions when the unified chain of command is broken up. For instance, as hospitals have come to look more like pluralistic polities, boards may reenter the power arena either at the invitation of the contending parties (Perrow 1963, pp. 112–46)17 or on their own accord. Furthermore, the stance of the manager may lead to great variation in board involvement and power. Chief executives range from those that are obsequious to their boards, to those that are Machiavellian—manipulating consensus—to those that are disdainful or at least unconcerned with their boards. Executives help to develop traditions of board consultation and influence, and these traditions can become binding upon the organization. Social-psychological variables of interest and commitment are also important, for it may be that lack of interest is a basic cause of the diminishment of board influence.

This work has been largely theoretical. At this point, there is a scarcity of meaningful data, and only at a few points have I been able to tie my arguments to evidence. Boards of directors are hard to study. Often they conduct their business in secret; their members are busy people; the processes themselves are sometimes most effectively described by novelists. Nevertheless, study is possible, and pieces of evidence can be brought to bear. The difficulty of study is more than compensated for by the theoretical and practical importance of the problem.

REFERENCES


17 Perrow traces out the changing context of board power and involvement in hospital affairs.

110
Boards of Directors


