THE BOARDS OF INTERNATIONAL GOVERNMENTAL ORGANIZATIONS

Resource providers or delegated controllers?

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ABSTRACT

In understanding what determines the board design of International Governmental Organizations (IGOs), we find that the organizational characteristics are central drivers. This article explores board design determinants by testing hypotheses derived from the Corporate Governance and International Relations literatures. We operationalize the characteristics of IGOs (membership, size, age, and being an International Financial Institution) and their boards (number of directors, director requirements, board duties). Key findings are: IGOs with greater number of members have smaller boards; older IGOs and those with large budgets demand more requirements from their prospective board directors; IGOs with smaller budgets and older IGOs have boards with more duties and capacities. Overall, the mechanisms of coordination costs, resourcefulness, and delegation seem all at play.

Keywords:

International governmental organizations, Boards, Corporate governance, Resource dependence theory, Agency theory

INTRODUCTION

Boards are expected to play a central role in the functioning and governance of an organization. The board's relevance may be even higher when studying International Governmental Organizations (IGOs). Anecdotal evidences of the unratified 2010 IMF reform and the 2015 creation of the Asian Infrastructure Investment Bank (AIIB) point in this direction. In both cases, the board duties, decision-making (including rules and weights), and the board director selection were central negotiation issues (e.g. Beaulieu & Dobson 2015; Woods, 2010). If boards are important for the functioning of an IGO, then it is relevant to know how boards of IGOs are structured and what the reasons for this are.

As globalization advances (Dreher, 2006) making the world interdependent, so does the amount of global public and common goods in need of governance (Ostrom, 2009). This in turn makes global governance a crucial piece for well being. IGOs are perhaps the most important institutions in the global governance regime (the others being international treaties, private regulatory bodies and informal transnational interaction) (Koremenos, Lipson & Snidal, 2001). Understanding how these specific organizations work, how they are designed, and what corporate governance arrangements they possess become extremely timely. Yet, with the exception of Martinez-Diaz's (2009) study, research on these organizations focusing on the functioning of their boards and other organizational characteristics is practically nonexistent.

Despite the extensive management research on boards, this may not suffice to understand boards in IGOs. While IGOs are organizations, it is reasonable to presume that the mechanisms at play will be different because of their specific characteristics; in particular, their ultimate mission is not to create shareholder value but their "raison d'être" is to create global collective or public value.

Research on boards—almost exclusively focused on for profit organizations—has grown in the last couple of decades. While not conclusive, corporate governance scholars have found most empirical support for Resource Dependence Theory (RDT) and there is quite abundant yet inconclusive knowledge on board characteristics, such as board size, board capacities and duties, and board directors (Hillman & Dalziel, 2003). This study builds on this strand of research as well as recent research on delegation and pooling to IGOs (Hooghe & Marks, 2014). We want to know why do IGOs have different boards and what drives their design.

Scholars in international relations have studied IGOs for some time now. However, IGOs in general, and boards in particular, are usually thought of by these scholars as a space in which their member states engage in politics. Recently a set of studies have tackled IGOs as organizational actors with a view to understanding them not only as a platform of interactions between member states but also from the standpoint of actors as such (e.g. Koremenos et al., 2001). Most studies have used Agency Theory (AT) as applied to international governmental organizations (IGOs) underscoring the relationship between member states and IGOs (Koremenos et al., 2001; Nielson & Tierney 2003; Lake, 2007). This study also builds on this line of research.

It is undeniable that IGOs have special features, which may limit the straightforward transfer of organizational theory to these organizations. While we pay attention to this, we want to primarily understand why different IGOs have different boards and, secondly, explore whether boards follow the theoretical premises of RDT or those of AT as developed in the International Relations (IR) field. In this study, we explore several dimensions of boards and explain why they differ along these dimensions.

Our research question is: What determines the design of IGO boards? To tackle this question, we test 12 hypotheses derived from the corporate governance and IR literatures on a data set, of our own creation, of the board characteristics of all global IGOs. We carry out a multivariable regression for each dependent variable. Our findings confirm several hypotheses and reject others. None of the two theories is perfectly supported across all dimensions. In essence, we find that: IGOs with more members have smaller boards and more duties contradicting AT pointing at coordination costs causal mechanisms; boards of older IGOs require their directors possess minimum technical expertise (in accordance to both RDT and AT) as do larger IGOs (in accordance with RDT), and larger IGOs have boards with less duties (in accordance with AT and in contradiction with RDT).

This paper goes as follows. First we define our object of study—IGO boards—and then derive the hypotheses from the two bodies of theories. We then present our data and methods, followed by the results of our analysis. We conclude with a discussion of our main findings and point out limitations and further research avenues. The governance structure of International Governmental Organizations

THE BOARDS OF IGOS

In corporate governance, there are three commonly accepted main players: shareholders, board directors, and the "management" represented by the chief executive officer or managing director (Bebchuk & Weisbach, 2010; Larcker & Tayan, 2011). These three actors coincide with the OECD's definition of corporate governance: "A set of relationships between a company's Managing Director, its Board of Directors and its shareholders" (OECD, 1999:11).

Many IGOs follow this three-tiered structure (Martinez-Diaz, 2009; see Figure 1). The top level is the Plenary or Assembly (e.g. Plenipotentiary Conference, WHO; General Assembly,

WIPO)[1], in which each Member State has a seat. In the corporate terminology used earlier, this level is equivalent to the shareholders or owners.

Insert Figure 1 about here

Below this level comes the Board of Directors—or Executive Board (e.g. IMF) or Administrative Council (ITU)—, to which the plenary elects its participants. Boards of Directors have generally been considered key to corporate governance and hence to a company's performance (Forbes & Milliken, 1999; Hillman & Dalziel, 2003; Pearce & Zahra, 1992). Boards usually perform several generic functions: (1) drawing up strategies (Judge & Zeithaml, 1992; McNulty & Pettigrew, 1999); (2) providing resources and advice (Baysinger & Butler, 1985; Kesner & Johnson, 1990; Pfeffer, 1972; Pfeffer & Salancik, 1978; Westphal, 1999); (3) control and monitoring (Monks & Minow, 1995). The various organization theories stress different functions. AT highlights the delegation and monitoring function. RDT stresses (as one might expect) the provision of resources.[2] This study focuses specifically on this intermediate level and its relationship with the plenary or assembly.

The third level is the management team, headed by a Chief Executive Officer (CEO). The CEO or his equivalent and the heads of each department are responsible for the everyday running of the organization and its work. Quite a bit of literature has been written on CEOs, their leadership characteristics, the benefits and disadvantages of separating CEO from Board

[1] Conference of Ministers (e.g. WTO), or Board of Governors (e.g. IMF)

[2]Martinez-Diaz (2009), referring to IGOs, distinguishes between drawing up strategies and that of serving as a forum for deliberation.

Chairman, on the information asymmetries between board and CEO, and on CEO compensation issues (e.g. Chhaochharia & Gringstein, 2009; Core, Holthausen & Larcker, 1999). While this —the CEO (or General Manager, BIS, President, WB)— is another fundamental area of study in need of more research in the realm of IGOs, it is not this study's focus. In this article, we focus on the second level of governance, namely the board.

Special features

As mentioned earlier, in building our hypotheses to explore the determinants of board design, we draw from both organization theory and IR literature. This article assumes that Organization Theory—in particular RDT as applied in Corporate Governance research—can be cautiously applied to the study of IGO boards. We do not rule out that IGOs may have special features that set them apart from other organizations but we consider that prudent application of organizational analysis may yield a better understanding of IGO boards. IGOs are organizations after all.

A key difference is that an IGO's 'shareholders' are its Member States. This difference concerns both the identity of the shareholders (in the case of IGOs, all the Member States know who the other members are) and problems of collective action (in IGOs the number of 'owners' is small —up to 193—, as are power asymmetries, in comparison to most publicly-quoted companies) (Hirsch, 1995). In general, these two features lessen the incentives for IGO members to delegate their powers to the board. Perhaps the most important distinguishing feature of IGOs is that their *raison d'être* is to create public value. As with other public organizations, their performance cannot be easily reduced to figures, as is the case for private companies. The board's monitoring functions —the key function of a Board according to AT— becomes more difficult when results are hard to measure (Mintzberg, 1983).

Resource-dependence theory and Agency theory: Boards as resource-providers or delegated controllers

The corporate governance literature in essence debates between RDT and AT. RDT posits that the board shall be designed in such a way to maximize the provision of essential resources to the organization in its quest to fulfill its mission (Pfeffer & Salancik, 1978). AT —as commonly used in Corporate Governance research— suggests that monitoring by the board aims at mitigating the problems arising from the separation between "decision management" (delegated by shareholders to top executives) and "decision control" (delegated from the shareholder assembly to the board) (Boivie, Bednar & Aguilera, Forthcoming; Berle & Means, 1932; Fama & Jensen, 1983). Yet, almost all research focuses on the relationship between the board (principal) and the CEO (agent), and posits that boards will be designed in such a way to best control the CEO. [3] Organization scholars have found empirically more support for RDT than for AT (Zahra and Pearce, 1989).

Important for this study, we focus squarely on the board and its relationship with the plenary. It is thus important to highlight that the elaboration of AT in organization theory is different from AT as elaborated by International Relations scholars when studying IGOs (Nielson & Tierney 2003). In organization theory, AT focuses on the relationship between board and CEO (Larker & Tayan, 2011). When used in the study of IGOs, AT is used to understand the level of delegation from the member states to the IGO (either the board or the Management/CEO itself) and the level of pooling of decision-making among member states (Hooghe & Marks, 2014). In this study, to determine what drives IGO board design, we compare RDT as used in organization theory with AT as conceptualized by IGO scholars. In essence, we test whether

[3] Monitoring top management is difficult because of a) attribution problems (i.e., is poor performance the result of poor management or a poor environment?) and b) managers strategic use, in their self-interest, of information advantage (Boivie et al., Forthcoming).

boards in IGOs are designed to maximize their resources or whether boards are designed to guarantee maximum control by IGO member states. Anyhow, we focus on the plenary/ board relationship.

Resource dependence theory posits that boards shall provide the organization with sufficient resources and guidance. Thus, according to RDT, boards will be designed in such a way that they include to provide the organization's top executives with access to important stakeholders, with specialized and complex information and knowledge, with financing opportunities, and any other necessary resources.

An RDT perspective, moreover, implies that the board understands the organization's need for resources, the resources provided, and how to deliver the resources. In fact, RDT scholars often conceptualize the board as an information processing group (Hinsz, Tindale, & Vollrath, 1997), a group that takes in, transforms, and then uses information to produce an output (Boivie et al., Forthcoming; Hinsz et al., 1997, Dalton & Dalton, 2011). Boards, however, are a particular type of group (Boivie et al., Forthcoming): i) Boards can experience high degrees of information asymmetry as some directors have more information than others regarding the organization; ii) board directors do not tend to meet very frequently (with the exception of those in IGOs with resident boards, or with boards in continuous session, e.g. IMF); iii) boards must balance both monitoring upper management and providing support to them (Sundaramurthy & Lewis, 2003). Boards are "large, elite, and episodic decision making groups that face complex tasks pertaining to strategic-issue processing" (Forbes & Milliken, 1999, p. 492).

Thus, size, frequency of meeting, and composition of boards, along with interpersonal and power dynamics among directors are likely to affect the social cohesion and subsequent information processing capability of the board (Boivie et al., Forthcoming). Hence, an RDT

approach to board design implies making the board as capable as possible to govern the organization (Boivie, et al., Forthcoming). RDT posits that the capacities and resources required by the board will be determined by the organization's complexity (Boivie et al., Forthcoming). Thus, organizations which are older or larger, will tend to be more complex, requiring boards to have: (i) more duties, (ii) directors selected on merit, and (iii) sufficient directors to bundle together necessary resources.

Agency theory (AT) centers on delegation and controlling. In IGOs the principal/agent delegation chain starts with the plenary of member states, passes through the board, and takes top management (or CEO) as the ultimate agent. A main issue here is delegation of control from the plenary to the board. The key idea is that member states will tend to value their control points in uncertainty or contract incompleteness situations (Hooghe & Marks, 2014; Lake, 2007). Uncertainty and incompleteness regarding scope and fellow member behavior are expected to make members guard their capacity to block decisions (Hooghe & Marks, 2014). Based on this theoretic perspective, we can hypothesize that in front of uncertainty (i.e. young organization, large organizations, and organizations with more member states), organizations will (i) decrease the delegation of duties from the plenary to the board, (ii) increase the board's size, and (iii) select board directors on trust rather than merit.

In essence, we want to explore what determines IGO board design and, as our point of departure, we use RDT—board design optimizes the amount and types of resources the board provides the organization—and AT (board design maximizes the member states' control over the IGO).

SIZE, DUTIES, AND DIRECTOR SELECTION OF IGO BOARDS

In order to conceptually explore the Boards of IGOs, we follow Larcker and Tayan's (2011) three dimensions: (1) Board structure; (2) Board directors; (3) Board duties.[4]

Our independent variables are derived from the literature of RDT applied to the above board characteristics, as well as AT as applied in the IR literature (Hooghe & Marks, 2014, Koremenos et al., 2001; Lake, 2007). The three independent variables are organization size, organization age, and number of member states. The first two are also classic organizational theory variables (Woodward, 1965; Burns and Stalker, 1961; Lawrence & Lorsch, 1967). While the number of member states comes from the literature on IGOs—and is uniquely relevant to IGOs as compared to traditional business or nonprofit organizations— (Hooghe & Marks, 2014; Koremenos et al., 2001), other variables have been pointed out by both organizational and IGO scholars: power, environment, and technical system, among others. We do not include them in our study due to evident limitations but we do control for being or not an International Finance Institution (IFI), which is closely related to the organization's technical system and power distribution (see methods section).

In the following, we construct hypotheses —to later test them— on the independent variables and board characteristics.

Structure: board size

Board structure is usually described in terms of its prominent structural features (Larcker & Tayan, 2011). A key feature is the board's size[5]. RDT suggests that a large board is good insofar

[4] Arguably, board process should also be of interest to researchers. Indeed, traditional board research has been criticized for centering the attention solely on board inputs and outputs neglecting the processes that take part within the boards (Forbes & Milliken, 1999; Huse, 2005; Pettigrew; Finkelstein & Mooney, 2003; Zahra & Pearce, 1989). Nevertheless, as one of the initial organizational exploration into IGO boards, we focus on the three dimensions mentioned above (structure, directors, duties).

as it boosts knowledge and access to it and experience — both of which may benefit the organization (Dalton & Dalton, 2005). Scholars have found that the size of a board depends on the size of the organization, which is consistent with RDT's causal mechanism: bigger (and arguably more complex) organizations need to draw on and secure more external resources to govern the organization (Larcker & Tayan, 2011).

Size contributes to the complexity of the firm, as does participating in multiple product and geographic markets (Henderson & Fredrickson, 1996; Hill & Hoskisson, 1987; Jones & Hill, 1988; Sanders & Carpenter, 1998) and having greater foreign ownership (Desender, Aguilera, López-puertas-Lamy, & Crespi, 2014). And complex firms require more monitoring (Coles, Daniel, & Naveen, 2008), since complexity increases the information load placed on board directors (Henderson & Fredrickson, 1996).[6]

AT concords with RDT. The larger an organization, and therefore the more at stake, the less willing will members be to distance themselves from the CEO or Management components (Boone, Field, Karpoff, & Raheja, 2007). Larger organizations may be expected to have larger boards (Clifford, & Evans, 1997), as members will exert more pressure to make sure to be present in the board.

> *Hypothesis 1. Larger IGOs are more likely to have larger boards than smaller ones.* [BOTH RDT & AT]

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[5] Another important aspect of board structure is board decision-making, especially in the case of IGOs (Koremenos et al., 2011). (Interestingly, corporate governance literature is silent on board decision-making procedures, probably due to it being legally determined by national context and usually involving some sort of majority voting.) A Board with majority voting procedures is more likely to avoid the hurdles to collective action posed by 'one member, one vote'/unanimity rules. Majority voting rules will be less palatable in IGOs with high number of members and high diversity among them, since there will be lower trust and higher uncertainty regarding other members' behavior. Such uncertainty may be lowered with time, as members get better acquainted to each other. Lastly, the greater the organization, and thus the stakes at play, the less willing will members be to make decisions by majority voting.

[6] Additionally, larger firms tend to be more inertial and difficult to change (Boivie et al., Forthcoming).

In relation to organizational age, contingency theorists posit that organizations grow complex with time. As an organization develops, it tends to take on more complex organizational form (Mintzberg, 1983), moving from a centralized organization, towards a diversified organization, and ultimately to a multidimensional matrix organization (Galbraith, 1974). This evolution occurs as the organization expands its mission, outputs, size, and geographic coverage. The increased complexity imposes greater information-processing tasks on board directors (Henderson & Fredrickson, 1996). Thus, RDT posits that with time we may expect larger boards (since more complex organizations require more information-processing capacity).

To the contrary, following agency theory, we may expect older organizations to have smaller boards, as time-based trust may emerge inducing members to relinquish "national" control positions in the board (e.g. Boone et al., 2007; Coles, Daniel, & Naveen, 2008)[7]. Time-based trust reduces uncertainty for member states in the plenary as they learn how other member states behave and understand the functioning of the organization. This then reduces uncertainty. In turn, these member states in the plenary will be more comfortable delegating to the board and will better tolerate not being present in the board. Additionally, older organizations tend to formalize and bureaucratize, facilitating their external control (Eisenberg, Sundgren, & Wells, 1998). That is, older organizations have more reporting and accountability rules, which can help member states in the plenary better monitor the organization.

Hypothesis 2a. Older IGOs are more likely to have larger boards than younger ones. [RDT]
Hypothesis 2b. Older IGOs are more likely to have smaller boards than younger ones. [AT]

Additionally, while RDT is silent on the issue of IGO membership, scholars applying AT to the study of IGOs suggest that organizations with more members have larger boards

[7] Moreover, older organization, the more formalized its functioning (Pugh, Hickson, Hinings, & Turner, 1968)

(Koremenos et al., 2001). We may expect IGOs with more members to have larger boards, since members' pressure seeking to be represented in the board will be higher (Koremenos et al., 2001; Martinez-Diaz, 2009). More members, and more diverse, increases uncertainty regarding member-state behavior. While group diversity[8] has benefits—is conducive to innovation and learning—it also has drawbacks. Diversity may hinder group information processing capabilities (Ibarra, 1992), lead to relational conflict (Jehn, 1995; Jehn & Mannix, 2001; Pelled, Eisenhardt, & Xin, 1999), and decision making biases (Westphal & Bednar, 2005).[9] Thus incentives to give up a seat in the board are very low since the behavior of fellow members is less predictable or aligned with one's own.

> *Hypothesis 3. IGOs with more (and more diverse) members are more likely to have larger boards than IGOs with less (and less diverse) members.* [AT]

Board directors

Board directors' individual skills and abilities are important for board functioning (Hillman & Dalziel, 2003).[10] Thus the criteria for appointing board directors should logically have an impact

[8] There exist many types of diversity: e.g. demographic, functional, cognitive (Miller, Burke, & Glick, 1998).

[9] Board studies conclude that diversity increases firm reputation, promotes corporate social responsibility, enhances firm performance, and conduces to a more disciplined CEO compensation, (Bear, Rahman, & Post, 2010; Erhardt, Werbel, & Shrader, 2003; Zhu, 2014). However, greater board diversity correlates with lower firm performance (Adams & Ferreira, 2009), polarizes board discussion (Zhu, 2013), and results in greater monitoring needs (Desender, Aguilera, López-puertas-Lamy, & Crespi, 2014).

[10] Perhaps the most interesting debate in the mainstream corporate governance literature is whether independent board directors have positive effects on firm performance. It is generally accepted that for boards to be effective, a reasonable proportion of their members must be independent of the organization's senior managers below them and the main shareholders set above them. The presence of independent members ensures the Board's duties are carried out properly without conflicts of interest. Resource Dependence theorists state that the presence of independent members helps companies because it boosts their access to information (Pfeffer & Salancik, 1978). Researchers have found that in the private sector, the independence of Board Members correlates with high CEO turnover (e.g., Weisbach, 1998), lower executive remuneration (e.g., Chhaochharia & Gringstein, 2009; Core, Holthausen & Larcker, 1999), and less fraud (e.g., Beasley, 1996; Dechow, Sloan & Sweeney 1996). Nevertheless, independent members may be more effective when the cost of acquiring information is low. (Adams & Ferreira, 2007; Chen, Cussatt, & Gunny, 2013; Duchin, Matsusaka, & Ozbas, 2010; Harrast & Mason-Olsen, 2007; Harris & Raviv, 2008; Jensen, 1993; Raheja, 2005). Otherwise, the advantages of independence are offset by lack of knowledge on the information and the sector. We may expect that independent Board directors are less present in IGOs than in private corporations. However, public regulatory agencies have drawn on independent directors for some time now. Board directors with non-renewable terms of office will be more independent than their renewable peers (Gilardi & Maggetti 2011). This is so because members seeking to have their terms of office renewed may be more easily controlled by influential States which have a say in whether they should be re-appointed.

on boards (Withers, Hillman & Cannella, 2012). Not considering other factors (like power struggles and vested interests), the underlying logic goes as follows: the more appropriate the directors' knowledge and skills, the more informed decisions made—ceteris paribus—and, hence, the better the IGO's governance and performance. Accordingly, boards that require their directors to have a certain set of skills and knowledge (in addition to other qualifications, such as nationality) are expected to have better results.

Barriers in board functioning may arise due to individual factors (e.g., the limited information processing capacity of individual directors) (Taylor, 1975): to make the best decisions for the firm, directors must fully understand both the focal firm and its environment (Boivie et al., Forthcoming; Makri, Lane, & Gomez-Mejia, 2006). Management researchers refer to board capital when thinking about the skills and background of the board directors (Dalton & Dalton, 2011). In business corporations, research shows that the directors' expertise affects their perceptions of how much they are able to contribute during board meetings (Carpenter & Westphal, 2001).[11]

RDT suggests clearly that board directors should have specific requirements, in addition from being mere representatives of member states (Martinez-Diaz, 2009). AT, on the other hand, goes the other way. Members will be unwilling to sacrifice control by substituting a trusted delegated board director with a qualified but less loyal delegate. Both of these contradictory expectations are amplified in the case of larger (and thus more complex) organizations. From RDT, a large organization requires governing bodies with more resources and skills. In contrast, large organizations entail higher stakes for members, thus making members less open to delegate to meritocratic rather than trustworthy national representative.

[11] Management scholars have focused primarily either on directors´ incentives or motivation (e.g., the agency perspective) (Eisenhardt, 1989; Fama & Jensen, 1983) or the ability of directors (e.g., the resource dependence perspective) (Haynes & Hillman, 2010; Hillman & Dalziel, 2003; McDonald et al., 2008).

Hypothesis 4a. Larger IGOs are more likely to have more requirements for selecting directors than smaller ones. [RDT]
Hypothesis 4b. Larger IGOs are more likely to have less requirements for selecting directors than smaller ones. [AT]

Age, as mentioned previously, should reduce uncertainty, increase trust, and bureaucratize the firm thus relaxing the members' drive to maintain a seat in the board. Continuing with AT, we may expect older organizations to be more willing to impose requirements on directors, as time-based trust and process formalization may emerge making "national" control positions in the board less relevant (Gulati & Westphal, 1999; Simmel, 2010)[12]. RDT also points at this positive relationship between age and requirements. Older organizations are more complex (and require more capable boards) and as time passes the board learns to identify the necessary skills its directors require.

Hypothesis 5. Older IGOs are more likely to have more requirements for directors than younger ones. [Both RDT & AT]

Lastly, we may expect members to be less willing to give up their seats in the board of IGOs with large and/or more diverse membership due to higher fellow member state behavioral uncertainty.

Hypothesis 6. IGO with more (and more diverse) members are more likely to have less requirements for directors than IGOs with less (and less diverse) members. [AT]

Board duties

In addition to the various generic functions that a board may carry out, it also has specific duties and responsibilities. For example, an IGO board may or may not appoint a CEO and/or approve the work plan.

[12] Moreover, the older the organization, the more formalized its functioning (Pugh et al., 1968).

RDT suggests that larger—more sophisticated and complex—organizations will have boards with more duties, since the plenary will be incapable of supporting and monitoring the top management on its own, thus delegating heavily to the board. As Boivie, Bednar, and Aguilera (Forthcoming) note, in general the larger a company is, the greater the powers of its board in order to cope with rising information-processing demands (Boivie et al., Forthcoming; Henderson & Fredrickson, 2001). We would expect that the bigger the budget, the more duties the board has. Yet, AT works the other way. The more at stake the less incentivized the members are to delegate powers to the board, from the plenary, since member states will be unwilling to delegate control over to the IGO's board. AT, thus, induces us to think that the board shall have less duties delegated to it from the plenary.

> *Hypothesis 7a. Larger IGO are more likely to have boards with more duties than smaller ones.* [RDT]
> *Hypothesis 7b. Larger IGOs are more likely to have boards with less duties than smaller ones.* [AT]

As time goes by, the organization evolves, grows, learns, diversifies, and specializes in its functions (Mintzberg, 1983; Provan & Kenis, 2008). Young and old organizations differ in terms of the mechanisms used to monitor management (Hite & Hesterly, 2001; Human & Provan, 2000). Just as the CEO and senior directors learn and seek to increase their freedom of action, so it is likely that the members in the plenary build mutual experience and forge trust in the process (Colombo, 2003; Kale, Dyer, & Singh, 2002; Nooteboom, 1999; Stuart & Podolny, 1996; Zucker, 1986). We expect that a board in an older organization to be more developed than in a young one and that, *ceteris paribus*, the member states (and the board itself) will have done much to improve the board's functions.

AT predicts a similar evolution. As time passes members understand and learn how the IGO works and, importantly, they generate trust among members and the organization's management/executive staff will be more ready to delegate functions and powers from the plenary to the board (REF). Moreover, we know organizations formalize their working and procedures, making external control (from the board), easier.

> *Hypothesis 8. Older IGOS are more likely to have boards with more duties than younger ones.* [BOTH RDT & AT]

Lastly, AT posits that in front of greater uncertainty—more members and more diverse members—members will be less inclined to delegate duties from the plenary to the board. As we mentioned when considering board size and board director selection procedures, following AT and group interaction and team performance literatures, we may expect an IGO with more diverse and larger membership to involve greater uncertainty about fellow member state behavior. Given more uncertainty, one would expect the plenary to delegate less to the board and each member state to press harder to have a seat in the board than in contexts of higher member state behavior certainty.

> *Hypothesis 9. IGOs with more (and more diverse) members are more likely to have boards with less duties with respect to ones with less (and less diverse) members.* [AT]

The following table summarizes the hypotheses developed in this section.

Insert Table 1 about here

DATA AND METHODS

Data

The data used in this research comes from a database on the institutional design of IGOs that we built. The IGO universe is defined by the database Correlates of War (COW), published first by Wallace and Singer (1970) and later updated by Pevehouse, Nordstrom and Warnke (2004). The most recent version of the COW database (Version 2.3) has information on 352 IGOs. Our work focuses on 'global' IGOs spanning across all continents —i.e. with governmental members from all continents. There are 69 global IGOs in our database (See Table 2).

Insert Table 2 about here

Identifying the board in each case is fairly straightforward. It is defined as a unit, which hierarchically stands between the chief executive and the plenary assembly (which brings together all members).

For our database, we gathered data, as far as possible, only from the IGOs' own public official documents. In general, these included: statutes, terms of reference or procedural rules for the main bodies, financial regulations, and annual reports. We did our utmost to gather missing data by contacting IGOs by e-mail. The data that IGO officers provided in this way were included in the database and in a small number of cases, further (reliable) information from the IGO's website was used.

Dependent Variables

- Board size (Ratio of number of board members to number of member states). The number of board directors and member states are typically found in an IGO's annual report. We crosschecked this with the information from the IGO's webpages. The ratio is computed by dividing the number of board directors over the number of member states.
- Director requirements (binary indicator). In IGO founding documents, the text specifies the criteria, if any, for becoming a board director. In the case of the International Telecommunications Union (ITU), for example, the charter states that: "Each of the Members of the Administrative Council shall appoint to serve on the Council a person qualified in the field of telecommunication services..." For UNESCO, "In selecting its representative on the Board, the State Member shall endeavor to appoint a person qualified in one or more of the fields of competence of UNESCO..." In these two examples, the board directors need to comply with specific expertise to become a member of the board and therefore, these IGOs, were coded as "1" in this binary indicator.
- Board duties (Binary: The board can remove the DG). The IGO charter specifies, or not, that the board duties include the capacity to remove the head of the secretariat. Bioversity International, for example, is explicit through its constitution stating that: "the Board shall have the following duties:... c. -dismissal of the Director General if her/his performance is inadequate..." In this example, the IGO was coded "1".

Independent Variables

- Age. Computed based on founding date.

- Organization size: Budget. The annual expenditures for operations, including projects and administrative expenses, are taken from the annual financial reports of the IGOs. In the case of IFIs, we have excluded the capital expenditures. These expenses do not constitute part of the annual budget, rather as extraordinary events for IGOs.
- Number of members. The number of members that belong to the organization is presented in IGO annual reports. This number is also validated by checking with the IGO webpage.

Control variable

- International Financial Institution (binary). We also coded and accounted for being an International Financial Institution.

Methods

We carried out two steps in the analysis. First, we explored the characteristics of the 69 IGOs by conducting descriptive analyses and graphic investigations. These allowed us to compare the IGOs we have in our database. There are 12 IGOs without Boards that are dropped during the analysis, resulting in 57 IGOs. Further, 15 more IGOs provide no information of their budgets. These IGOs were also excluded in the analysis. Hence, the final number is 42 cases.

Second, we ran multivariable linear regression analyses on each of the board characteristics against the independent variables, controlling for being an IFI. We used simple linear regression for the continuous variable, board size. Whereas we used logistic regression for the dichotomous dependent variables, namely: board directors must meet a requirement, and the board can remove the DG.

We also checked for multicollinearity that may affect the regression analysis. We conducted VIF tests on our independent variables. The results show that all VIF values are below 3, meeting the acceptable range (Myers, 1990).

RESULTS

Table 3 presents the means, standard deviations, and correlations of the variables. Table 4, here, presents the regression analysis.

Insert Table 3 about here

Insert Table 4 about here

Table 5 summarizes the hypotheses, the first two columns indicating whether RDT and AT coincide with it (a + means that the proposition is consistent with the theory, a – means that the theory predicts an inverse relation, and a blank means that the theory does not apply). The third column shows whether we found a significant relationship or not.

Insert Table 5 about here

Table 6 presents the effect, error estimate, and explanatory power (R^2) for those relationships found to be significant. We include the control variable IFI since it was found to be weakly significant in two regressions.

Insert Table 6 about here

In essence, board size is inversely related to size of membership, board director requirements is positively related to age and (more weakly to) size of the organization, and board duties is inversely related to the size of the organization.

DISCUSSION AND CONCLUSION

Our study produces some insights into what determines International Governmental Organizations (IGO) board design. We insist: this is a crucial issue. As globalization has exponentially intensified, the number of global public problems to be dealt with and goods to be provided skyrocketed. These global challenges are far from minor, and include such existential dimensions as human security and climate sustainability. Understanding how boards, a crucial component of all organizations (Boivie et al., Forthcoming), are designed and how they function is extremely relevant. We therefore carry out the first board focused medium sample size quantitative study of IGOs, drawing on both Resource-dependence Theory (RDT) and Agency Theory (AT). Neither of the two theories used to explore this phenomenon are firmly supported. The different board characteristics studied seems determined by different causal mechanisms.

Board size seems to be driven neither by RDT nor AT; age and organization size have no effect (thus not following either RDT nor AT), while the number of members negatively affects board size. This contradicts AT and, in fact, is consistent with transaction and coordination costs theories, where board size is capped to ensure teamwork and group performance by reducing coordination costs (Eisenberg et al., 1998)[13].

In fact, group factors such as relational dynamics affects board interactions (Hinsz et al., 1997). Firms with smaller boards have higher firm valuations (Yermack, 1996). Larger boards are less involved in strategic decision making (Judge & Zeithaml, 1992; Goodstein, Gautam, & Boeker, 1994), are linked to a greater likelihood of firm failure (Dowell, Shackell, & Stuart, 2011), are less cohesive (Shaw, 1981), and are more difficult to coordinate (Gladstein, 1984). Also, larger groups are more likely to develop factions (O'Reilly, Caldwell, & Barnett, 1989), and have greater risks of social loafing (George, 1992).

Board director requirements seem to follow RDT, since it is positively related with age and organization size. As the organization grows older, the board neither increases in size, nor takes on more responsibilities, but it does impose greater requirements on prospective board directors. Further as organizations become larger, they compel more requirements to become a member of the board. This also follows RDT.

Lastly, board duties are negatively related to organization size. This completely contradicts RDT but is supported by AT, since members will be less willing to delegate from the plenary assembly to the board any duties given that there is much at stake. Age does not have an effect on board duties. While membership size is positively related to board duties, contradicting

[13] Transaction Cost Theory tells us that small boards reduce communication and coordination costs (Eisenberg et al., 1998). Large Boards are less efficient at carrying out their monitoring role because they tend to foster 'free-riding' (Lipton & Lorsch, 1992). Such Boards are also less likely to foster discussion since there is greater potential for dissension and achieving consensus proves both difficult and very time-consuming (Lipton & Lorsch, 1992). All other things being equal, smaller Boards face fewer problems stemming from group dynamics and collective action, but also provide the organization with fewer resources.

AT, but following again transaction/coordination costs theories: the larger the membership the more duties delegated to the board to facilitate coordination and organization costs.

Nevertheless, boards should be viewed as a group with information processing capabilities (Boivie et al., Forthcoming). Aside from being a resident board —one that has continuous session or permanent presence in an organization—, frequency of meetings is also important, and needs to be explored in the future. Business researchers have previously concluded that the number of directors' other appointments outside their organization weakens their performance at the focal firm (Ferris, Jagannathan, & Pritchard, 2003; Fich & Shivdasani, 2006; Perry & Peyer, 2005). Hence, boards are necessary to have more interactions to avoid becoming a distributed group, given the dispersed nature of the directors. Distributed groups frequently suffer from a lack of mutual knowledge (Cramton, 2001). And dispersed directors typically have lower levels of familiarity and friendship (Hinds & Bailey, 2003). Therefore, it will be interesting to explore in the future the frequency of board meetings, since groups that have more frequent interaction are more likely to develop positive sentiment toward one another and reduce conflict (Allport, 1954). Otherwise, board directors will remain dispersed that can lead to increased conflict (Hinds & Bailey, 2003).

In synthesis: the determinants of board size and the effects of number of members on board characteristics seem to follow TCE; while determinants of board director requirements follows RDT; only the relationship between organizational size and board duties seems to follow AT.

Additionally, IFIs have a negative relation to board size and tend to have many duties. This may be due to IFIs following a very specific design (i.e. powerful resident board). Such IGOs have strong small boards, which contradicts AT at first sight, but knowing that member

states have different rights to the board —loosely related to their economic size— power seems to be playing a role. As such, then, AT predicts bigger boards for bigger membership IGOs "IF" board delegation is "NOT" a function of member power. This points to perhaps what should be the most urgent further research: add plenary (and board) decision-making to our set of dependent variables and explore configuration analysis, where the three dependent variables explored here may not be independent from each other.

Lastly, there are several points to be made regarding the limitations of the study. First, our paper concentrates on global IGOs spanning all continents, further studies can explore if the results hold with regional IGOs. Second, our analysis uses a low sample size, thus our findings risk having low power but high internal validity —as all IGOs are global. Third, we have not tested for reverse causality yet. We aim to do so in the near future. Fourth, we only tested the effect of the explanatory variables on the indicators of board characteristics. The relationship of boards to performance must yet to be explored.

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FIGURE 1

Typical Governance Structure of IGOs. Source: Martinez-Diaz (2008).

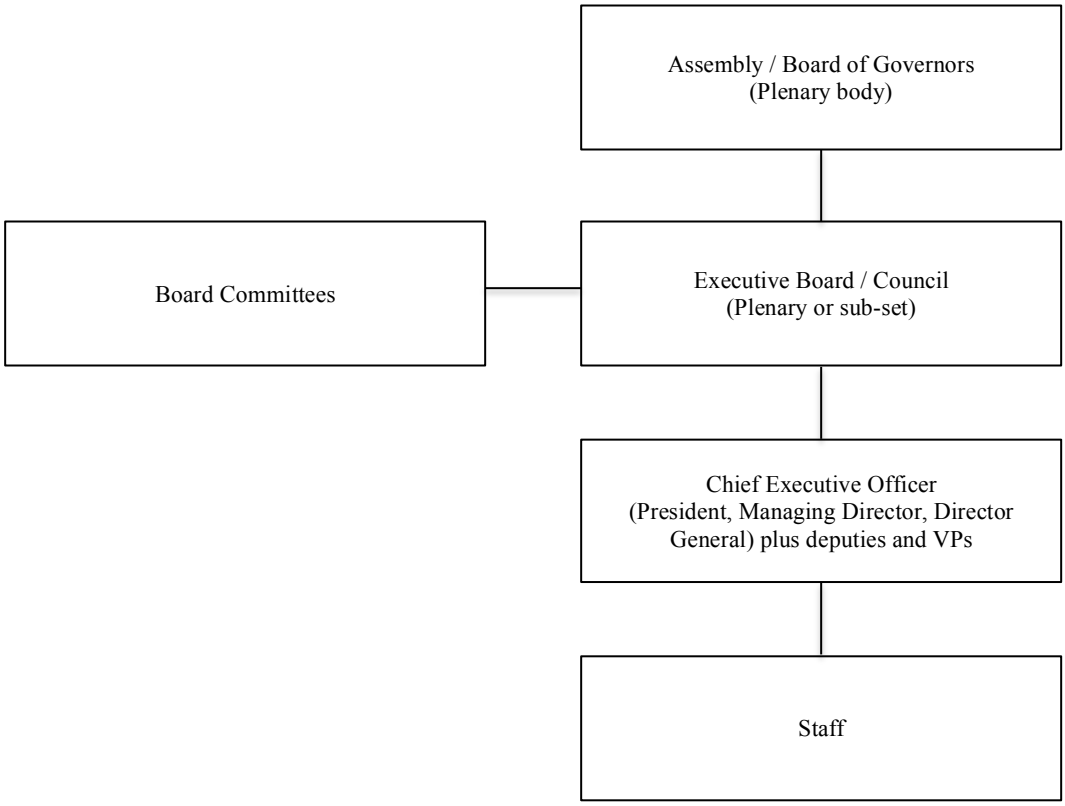

TABLE 1

Summary of hypotheses

Board Size		
H1	Larger IGOs :: larger boards	[Both RDT & AT]
H2a	Older IGOs :: larger boards	[RDT]
H2b	Older IGOs :: smaller boards	[AT]
H3	IGOs with more (and more diverse) members :: larger boards	[AT]
Board director requirements		
H4a	Larger IGOs :: more requirements for selecting directors	[RDT]
H4b	Larger IGOs :: less requirements for selecting directors	[AT]
H5	Older IGOs :: more requirements for directors	[Both RDT & AT]
H6	IGOs with more (and more diverse) members :: less requirements for directors	[AT]
Board duties		
H7a	Larger IGOs :: more duties	[RDT]
H7b	Larger IGOs :: less duties	[AT]
H8	Older IGOs :: more duties	[BOTH RDT & AT]
H9	IGOs with more (and more diverse) members :: less duties	[AT]

TABLE 2

List of International Governmental Organizations

World Customs Organization (WCO) *
Food and Agriculture Organization (FAO)
Global Environment Facility (GEF)
International Bank for Reconstruction and Development (IBRD)
International Civil Aviation Organisation (ICAO)
International Criminal Police Organizations (Interpol)
International Finance Corporation (IFC)
International Fund for Agricultural Development (IFAD)
International Labor Organization (ILO)
International Maritime Organisation (IMO)
International Monetary Fund (IMF)
World Organisation for Animal Health (OIE)
International Telecommunication Union (ITU)
Multilateral Fund for the Implementation of the Montreal Protocol (Montreal)
Multilateral Investment Guarantee Agency (MIGA)
United Nations (UN) *
United Nations Educational, Scientific, and Cultural Organization (UNESCO)
United Nations Industrial Development Organization (UNIDO)
Universal Postal Union (UPU)
World Health Organizations (WHO)
World Meteorological Organisation (WMO)
World Intellectual Property Organization (WIPO)
World Tourism Organization (UNWTO)
International Seabed Authority (ISA)
International Atomic Energy Agency (IAEA)
Non-Aligned Movement (NAM) *
International Mobile Satellite Organization (IMSO) *
International Oil Pollution Compensation Funds (IOPCF)
International Center for the Study of the Preservation and the Restoration of
Cultural Property (ICCROM)
Common Fund for Commodities (CFC)
International Organization for Migration (IOM)
BioNET International (BioNET)
Intergovernmental Oceanographic Commission (IOC)
International Criminal Court (ICC)
International Exhibitions Bureau (BIE)
Permanent Court of Arbitration (PCA)
World Road Association (PIARC)
World Trade Organisation (WTO)
International Centre for the Dispute of Investment Settlements (ICDIS) *
International Development Association (IDA)

Organisation Internationale de la Francophonies (OIF)
Bank for International Settlements (BIS)
CAB International (CABI)
Carbon Sequestration Leadership Forum (CSLF)
Commonwealth Secretariat (ComSec)
Commonwealth Telecommunication Organisation (CTO)
European Bank for Reconstruction and Development (EBRD)
Hague Conference on Private International Law (HCCH)
Commonwealth War Graves Commission (CWGC)
International Association of Supreme Administrative Jurisdictions (IASAJ)
International Bureau of Weights and Measures (BIPM)
International Cocoa Organization (ICCO)
International Coffee Organizations (ICO) *
International Cotton Advisory Committee (ICAC)
International Hydrographic Organization (IHO)
International Institute for the Unification of Private Law (UNIDROIT)
International Institute of Refrigeration (IIR)
International Lead and Zinc Study Group (ILZSG)
International Organization for Legal Metrology (OILM)
International Pepper Community (IPC) *
Bioversity International (Biodiv)
International Rice Commission (IRC) *
International Tropical Timber Organization (ITTO) *
International Organisation of Vine and Wine (OIV)
International Whaling Commission (IWC) *
International Grains Council (IGC)
International Union for the Protection of New Varieties of Plants (UPOV) *
Wassenaar Arrangement on Export Controls for Conventional Arms and Dual-use Goods and
Commonwealth Foundation (CF)

* IGOs without Boards

TABLE 3
Means, Standard deviations, and Correlations

		Means	SD	1	2	3	4	5	6	7
1	IFIs	0.210	0.415	1.000						
2	Age	59.880	32.378	-0.228	1.000					
3	Ln of budget	7.837	1.095	0.519***	-0.036	1.000				
4	No. of members	134.400	58.376	0.042	0.006	0.418***	1.000			
5	Board size	0.330	0.449	-0.162	0.051	-0.072	-0.494***	1.000		
6	Requirements	0.310	0.468	0.278*	0.229	0.487***	0.291*	-0.193	1.000	
7	Remove the DG	0.05	0.216	0.156	0.130	0.140	0.214	-0.092	0.150	1.000

The levels of significance are: *<0.10, **<0.05, ***<0.01

TABLE 4
Regression analysis

	(1) Board size	(2) Requirement	(3) Can remove the DG
	b/se	b/se	b/se
IFIs	-0.350*	0.895	8.126*
	(0.17)	(1.04)	(4.71)
Age	-0.000	0.023**	-0.001
	(0.00)	(0.01)	(0.02)
Ln of budget	0.147	0.953*	-2.488**
	(0.09)	(0.55)	(1.05)
No. of members	-0.005**	0.006	0.678*
	(0.00)	(0.01)	(0.38)
Constant	-0.090	-11.043**	-111.935
	(0.46)	(4.56)	(66.24)
N	42	42	42
R^2 / Pseudo- R^2	0.34	0.28	0.49

The levels of significance are: *<0.10, **<0.05, ***<0.01

TABLE 5
Summary of findings

#	Hypotheses	RDT	AT	Significant
1	Larger IGOs will have larger boards with respect to smaller ones.	+	+	No
2a	Older IGOs will have larger boards with respect to smaller ones.	+		No
2b	Older IGOs will have smaller boards with respect to smaller ones.		-	No
3	IGOs with more (and more diverse) members will have larger boards with respect to ones with less.		+	Yes "-" (Inverse)
4a	Larger IGOs will have more requirements for directors with respect to smaller ones.	+		Yes "+"
4b	Larger IGOs will have less requirements for directors with respect to smaller ones.		-	Yes "+"
5	Older IGOs will have more requirements for directors with respect to younger ones.	+	+	Yes "+"
6	IGOs with more (and more diverse) members will have less requirements for directors with respect to ones with less.		-	No
7a	Larger IGOs will have boards with more duties.	+		Yes "-"
7b	Larger IGOs will have boards with less duties.		-	Yes "-"
8	Older IGOs will have boards with more duties with respect to younger ones.	+	+	No
9	IGOs with more (and more diverse) members will have boards with more duties with respect to ones with less.		-	Yes "+"

TABLE 6

Effect, error estimate, and explanatory power

Board / Organization	Size -- R2=0.34	Requirements -- R=0.28	Duties (Can remove the DG) R=0.49
Size (Ln of budget)		0.953* (0.55)	-2.488** (1.05)
Older		0.023** (0.01)	
Nº of members	-0.005** (0.00)		0.678* (0.38)
Control			
IFI	-0.350* (0.17)		8.126* (4.71)