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Nonprofit Arts Organizations' Pursuit of Public Interests: The Role of Board Diversity

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Abstract: Although nonprofit organizations are expected to contribute to public interests, their tax exemption does not necessarily entail serving the broader public. What, then, makes nonprofit organizations orient their work externally, serving the broader public, instead of internally, pursuing private goals? This paper examines this question by studying the link between nonprofits' board governance, with a specific focus on boards' racial diversity, and their contribution to public interests. The analysis of the 2015 US Local Arts Agency Census reveals that boards' racial diversity is closely related with nonprofit arts organizations' participation in serving the broader public through civic engagement and community development activities. The findings offer insights on how nonprofit boards, which are neither publicly elected nor publicly accountable, can be trusted to attend to broader issues of the public interest.

Keywords: nonprofit governance, arts organizations, public interests, board diversity

In addition to delivering services defined under their respective Internal Revenue Service (IRS) classifications, nonprofit organizations, public benefit organizations in particular, are deeply involved in advocacy and other community-oriented activities, on which they spend considerable organizational resources (Fyall 2016; Prentice 2018). These organizations have adopted a variety of social, economic and political functions, from facilitating active civic engagement to representing underprivileged groups, and have ensured that individuals and groups have a voice in democratic processes, whether at the community, national or global levels (LeRoux 2007; McCambridge 2004). Scholars explain that this multitude of roles comprises the defining characteristics of nonprofit organizations, “their *raison d'être* and strategic advantage in a multisector society” (Moulton and Eckerd 2012, 657).

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The nonprofit sector's role in democracy implies that nonprofit organizations' governance needs to be structured in a way to maximize their contribution to public interests. The central question is, as Stone and Ostrower (2007) assert, how nonprofit boards, which are neither publicly elected nor publicly accountable, will attend to broader issues of public interest as a part of their governing functions. Although nonprofit organizations are expected to contribute to public interests, their tax exemption does not necessarily entail participation in activities serving the broader public (Bittker and Rahdert 1976; Salamon and Anheier 1992). These organizations tend to focus on particular subgroups of population rather than serving the broader public, which Salamon (1987) called "philanthropic particularism." Most nonprofit organizations are set up to serve specific client groups, from the homeless to members of a particular racial or ethnic group, and they simultaneously serve interests of internal members of the organization, a private goal, and those of the broader public, a public goal (Lee and Wilkins 2011; Oelberger 2018).

Nonprofit organizations' production of private benefits raises questions about their beneficial tax treatment, and they are under increasing pressure to demonstrate their congruence with the public interests (Anheier and Toepler 2019; McMillan 2020). Provided that their tax exemption does not entail a direct contribution to public interests, what makes nonprofit organizations orient their work externally, in the service of the broader public, instead of internally, in the service of private goals? What makes them broaden the organizational focus from serving a particular segment of the population to contributing to broader public interests? In order to understand the connection between nonprofit governance and public interests, this study examines the role of the board's racial diversity in nonprofits' pursuit of broader public interests, using the case of arts organizations. Arts organizations present an intriguing case for studying this connection, as the private nature of their services and the exclusivity of their membership may work as inertia in the involvement in community and public serving activities beyond direct mission serving artistic activities.

1 Nonprofit Board Diversity and the Pursuit of Public Interests

Diversity is defined as "any attribute that another person may use to detect individual differences" (Williams and O'Reilly 1998, p. 81). O'Reilly, Williams, and Barsade (1998) explain that a group is diverse when it consists of individuals who differ in terms of a characteristic on which they base their own social identity.

Diversity within an organization can be based on various categorization schemes, such as race, gender, socioeconomic status and disability, and affect how an organization functions, whether positively or negatively (Brief et al. 2005; Glick, Miller, and Huber 1993; Williams and O'Reilly 1998). With increasing population and workforce diversities, scholars have examined the relationship between diversity within an organization and organizational outcomes by focusing on how diversity brings about systematic, cultural and behavioral changes in an organization (Holvino, Ferdman, and Merrill-Sands 2004).

Nonprofit management literature also suggests that board diversity is associated with various dimensions of organizational performance, both financial and non-financial. However, scant research has examined how board diversity relates to nonprofits' direct contribution to public interests. One of the most important desiderata for board diversity is based on the stakeholder theory, which posits that organizations do not act in a responsible way to avoid growing stakeholder pressures only, but they also have to contribute to bettering the society (Russo and Perrini 2010). This is based on the perspective that all organizations, regardless of type, are nested within society and therefore have a degree of responsibility to advance societal welfare (Freeman, Wicks, and Parmar 2004). Applied to the nonprofit sector, the theory views that nonprofit organizations' accountability extends beyond their donors and immediate clients and that they are also accountable to the broader public.

Agency theory also posits that a nonprofit organization's stakeholders, including its donors, legislators and the public, rely on the board's ability as their agent to represent the community's interests (Gazley, Chang, and Bingham 2010). A nonprofit's board of directors is charged with the fiduciary responsibility of governing the organization and is ultimately accountable for the organization's mission achievement (Buse, Bernstein, and Bilimoria 2016; Worth 2018). Besides being responsible for acquiring critical resources, boards are also accountable for ensuring that their organizations' actions align with respective stakeholder interests (Gazley, Chang, and Bingham 2010; Kosnik 1990). Such responsibilities of the board suggest that individual board members are "uniquely positioned to determine the representational capacities of nonprofit organizations" (Guo 2007, 459), and by many, organizations' representational capacities are considered necessary for engaging in external activities benefitting constituents and community (Guo and Musso 2007; Lu 2018).

The critical role of board members in representing stakeholder interests has led to a perspective that the composition of the board is closely related to nonprofits' involvement in the broader community (Miller-Millesen 2003). As top decision makers in their organization, board members are the nexus of relationships among stakeholders, and have an influence over the shape and nature of these

relationships. Boards' role in managing stakeholder relationships suggests that the board determines the extent to which an organization's social responsibilities are fulfilled by responding to stakeholders' interests (Galbreath 2018). Board members, as leaders of an organization, also serve the role of "boundary spanners," interacting with the organization's stakeholders to ensure the survival and direction of the organization (Lewis, Hamel, and Richardson 2001). Board diversity is assumed to bring broader perspectives to the decision making process to expand the organization's interests beyond its short-term goals (Rao and Tilt 2016).

Further, board diversity is linked to an organization's capacity to expand relevance and legitimacy of the organization by engaging diverse and traditionally marginalized community members and constituents (Fredette and Bernstein 2019). Having individuals with diverse social, demographic and economic backgrounds is directly related with organizational capacity to adapt to changing needs and interests of the diverse and/or underserved members of the community. Board diversity is especially important in community governance, where representation of diverse groups is integrated into the governance structures and processes to encourage representation and participation of multiple stakeholder groups (Buse, Bernstein, and Bilimoria 2016; Carboni et al. 2017). Nonprofit organizations' involvement in civic and community development activities typically accompanies partnerships with other community-based organizations in a collaborative network, and, therefore, the reinforced legitimacy brought by increased board diversity can strengthen an organization's collaborative capacity (Gazley, Chang, and Bingham 2010).

Depending on the types of services an organization provides, its involvement in serving broader public interests may or may not lead to increased monetary and non-monetary support from their stakeholders. However, their participation in serving community and public interests establishes a rationale for their tax exemption status and solidifies their reputation and long-term sustainability. With the nonprofit sector representing a substantial and growing share of the national and global economies, establishing a rationale for tax exemption is an important task for nonprofit organizations (Herring et al. 2018; Sjoquist and Stoycheva 2018). The existing research has examined the relationship between board diversity in terms of gender and race and an organization's representational capacities (Galbreath 2018; Guo and Musso 2007; Rao and Tilt 2016). In general, studies find that board diversity contributes to the inclusion behaviors of the board, resulting in policies and practices to allow diverse members to have an impact, and therefore, it helps ensure that nonprofits' programs reflect the needs and interests of respective communities (Buse, Bernstein, and Bilimoria 2016; LeRoux 2009).

In summary, both theoretical literature and empirical evidence suggest that nonprofit board diversity directly influences both internal and external board

governance practices (Carboni et al. 2017; LeRoux 2009). This, then, provides support for the perspective that increased board diversity helps nonprofit organizations broaden their focus to community and social engagement. Board diversity, measured as demographic and socioeconomic variation among members, can derive from multiple sources, including expertise, race and ethnicity, and gender (Gazley, Chang, and Bingham 2010; O'Reilly, Williams, and Barsade 1998). Among others, the lack of racial diversity in governing boards has been a persistent issue and a pressing challenge for many nonprofit organizations (BoardSource 2017; Dubb 2019). In particular, the state of racial and ethnic diversity in the arts subsector has drawn a lot of scrutiny (Curtis 2020; Hallock 2017; Peterson 2018). This study focuses on the relationship between boards' racial diversity in arts organizations and their pursuit of broader public interests, focusing on their civic engagement and community development activities.

1.1 The Case of Arts Organizations

Fischer, Wilsker, and Young (2011) categorize nonprofit organizations based on the nature of their services, into three different types of private, public, and mixed services. The benefits of public services are shared by a wider group and community, often regardless of participation, while the benefits of private services accrue to clearly identifiable individuals who pay for and use the service. According to this typology, nonprofit arts organizations' primary services are "private" in nature, as the benefits are limited to those who use their services. Moreover, when compared with other public benefit nonprofit organizations that serve vulnerable or disadvantaged populations, the main beneficiaries of arts organizations tend to be individuals with higher levels of education and with dominant socioeconomic status (Marquis et al. 2013). Consequently, these organizations are viewed as providing non-essential and private services, compared with other types of organizations, such as human and social service organizations (Lee and Shon 2018; McDonald, Masselli, and Chanda 2019; Ostrower 1998). Although arts organizations participate in a multitude of socially oriented activities and contribute to facilitating conversations about societal issues and improving their communities, the public perceives them as entities providing private benefits and maintaining exclusive memberships rather than being involved in social and community actions (Gray 2017; Kazmierczak 2017; McDonald, Masselli, and Chanda 2019).

Research also finds that individual motivations for serving on arts organizations' boards differ from those of other types of public charities as an arts organization's board generally represents the group that shares similar artistic values and standards rather than representing economically or socially

disadvantaged groups (Ostrower 2020). Hence, the missions of arts organizations tend to emphasize commitment to artistic visions and excellence (David 1999; Ostrower 2020). Ostrower (1998) also suggests that one of the major motivations of donating to arts organizations is to enjoy personal interaction with artists. She also argues that an organization's board members tend to select their colleagues based on social identity, class in particular. Similarly, the extant research views the services provided by arts organizations as "club goods," where a club is defined as a voluntary group deriving mutual benefit from sharing at least one of the following: production costs, members' characteristics, or a good or service characterized by excludable benefits (Cornes and Sadler 1996; Gomez-Zapata et al. 2018; Kushner and King 1994).

Arts organizations' exemption under IRS section 501(c)(3) is based on the statutory exemption for "educational organization," and their educational purpose may be advanced by, among other things, instructing young individuals to develop their artistic capabilities or by providing the general public with opportunities to appreciate art (Internal Revenue Service 1982). Arts organizations' serving educational purposes and offering public exhibits and performances, however, does not entail participation in direct civic engagement or community development activities. While exemption purposes of public charities do not necessarily require such activities either, organizations that directly serve economically or socially disadvantaged populations can make direct contribution to their clients' welfare by participating in civic engagement and community development activities. For instance, social and human service organizations' participation in policy advocacy and community improvement activities has the potential to strategically position themselves in their environment and directly promote their clients' well-being (Mosley 2010). As a result, certain nonprofits, such as environmental and social and human service organizations, have long been public voices in their roles as organic actors in local sustainability discourses or in representing underrepresented groups and individuals, respectively, serving as civic intermediaries between their clients and the larger political structures (LeRoux 2007, 2009; Moldavanova and Wright 2020).

In contrast, the importance of artistic knowledge and the aesthetic orientation to arts organizations' clients may contribute to group cohesion among the primary clients, those who actually purchase the goods and services, rather than benefiting the community as a whole (Ostrower 1998). This suggests that arts organizations' participation in activities contributing to public interests generally does not bring tangible and direct benefits to their primary clients. Arts organizations' outcomes are not purely public goods, in that they are excludable and are controlled by the individuals whose primary purpose is to preserve their aesthetic values (Brooks 2006; DiMaggio 1982). Therefore, arts organizations' engagement in community and social affairs represent a strategic shift in organizational missions,

assuming “a high level of social responsibility that goes beyond their primarily artistic mission” (Moldavanova 2016; Moldavanova and Wright 2020, 245).

If the provision of private benefits and homogeneous and exclusive membership characterize arts organizations, what would explain their involvement in activities contributing to broader public interests? More specifically, when do arts organizations shift their focus from maintaining artistic standards to changing society and improving community? Production of arts in all forms contributes to community’s well-being, by helping the community to reserve, invent and assert its cultural identity (Jackson 2008), but civic engagement and community development activities involve addressing social problems directly and making direct impacts on community, rather than conveying messages using artworks and performances. This study examines this question by studying arts organizations’ more direct contribution to public interests, focusing on their participation in civic engagement and community development activities.

1.2 Civic Engagement and Community Development

Nonprofits contribute to public interests in a multitude of ways, but the two types of activities – civic engagement and community development – have received more attention than others (Carey and Sutton 2004; Suarez and Hwang 2008). The term civic engagement generally refers to “the ways in which active citizens participate in the life of a community to improve conditions for others and to help shape the community’s future through interactions with their society and *government*” (Adler and Goggin 2005 241, *italics added*). This and other definitions of civic engagement suggest that civic engagement is essential for healthy and vibrant democratic polity by ensuring citizens’ interaction with policymakers (Macedo 2006). Nonprofit organizations play an intermediary role between individual citizens and policymakers by fostering individual involvement in addition to engaging directly in civic action (Berry 2005; Suarez and Hwang 2008).

By comparison, community development activities typically aim to solve social problems through local community institutions that produce individual and collective goods. The process of community development focuses on the development of human ecologies by empowering the community (Chavis and Wandersman 2002). These community building and empowerment activities, therefore, contribute to creating social infrastructures that are “more conducive to enduring the goals of democracy and social justice” (Newman and Lake 2006, 58). The link between civic engagement and community development activities and democracy suggests that understanding nonprofit organizations’ participation in

these activities will help understand the connection between nonprofit governance and public interests.

In order to understand the connection between nonprofit governance and public interests, this study examines the role of the board's racial diversity in nonprofits' pursuit of broader public interests. The private nature of arts organizations' services and the exclusivity of their membership makes arts organizations an intriguing case for studying this connection, as their involvement in civic engagement and community development requires deliberate efforts beyond accomplishing their artistic missions. Focusing on board diversity, this study tests the relationship between the board's racial diversity in arts organizations and their pursuit of broader public interests. In particular, this study hypothesizes a positive relationship between an arts organization's board diversity and its civic engagement and community development activities.

H1: Racial diversity on the governing board is positively associated with arts organizations' participation in civic engagement activities.

H2: Racial diversity on the governing board is positively associated with arts organizations' participation in community development activities.

2 Data and Methods

This study uses data from the 2015 US Local Arts Agency Census, administered by Americans for the Arts (2018). Local Arts Agencies are diverse in their makeup, with different names and a wide spectrum of artistic disciplines, but they all promote, support and develop the arts at the local level (Americans for the Arts 2019). Americans for the Art distributed online surveys to 4377 local public and nonprofit art agencies and collected information from 1127 agencies, with the overall response rate of 26% (Americans for the Arts 2015). The surveys collected information about local art organizations' budgets, programs, partnerships, grant making, diversity and staffing. This study focuses on nonprofit art agencies, which account for 67.6% of the dataset. A total of 407 organizations constitute the study sample.

2.1 Dependent Variables

This study examines how board diversity relates to art organizations' participation in civic engagement and community development. First, *civic engagement* is a

dichotomous variable measuring whether an organization participates in creating opportunities for civic engagement in the community. The term civic engagement encompasses numerous ways through which people may get involved in activities considering and addressing civic issues, and nonprofits undertake various activities to influence policy and administrative outcomes, including attending public hearings and participating in protests as well as advocacy work. The survey lists such activities as actively connecting arts and culture to other civic issues and projects, bridging diverse voices into public dialogues, fostering youth engagement and providing leadership to link cultural and civic entities¹. Second, *community development* activities are the tasks designed to make direct impact on improving the conditions of individuals in the community, including helping those in need and building community infrastructure. The survey lists such examples of community development issues as homelessness, aging, health and wellness, substance abuse, and economic development². This study also uses a dichotomous variable of whether an organization was involved in community development activities.

2.1.1 The Relationship between Civic Engagement and Community Development Activities

Both civic engagement and community development activities are based on the sense of social connectedness and interests in public values. Therefore, the two activities are interrelated, rather than being independent. In this case, estimating two separate models for participation results in ignoring the correlation in error terms between the two equations. Therefore, this study uses the bivariate probit model, which allows a joint estimation of two participation models with a correlation parameter (ρ).

1 The complete list of civic engagement activities consist of connecting arts and culture to other civic issues and projects, bringing diverse voices into public dialogues, fostering youth engagement, funding artists, projects, and/or organizations that boost civic engagement, housing training and exchanges for artists and cultural organizations that are doing (or are interested in doing) civic engagement work, providing leadership to link cultural and civic entities, and sponsoring arts-based civic participation programs and/or activities.

2 The complete list of community development opportunities consists of aging, at-risk youth, contested history, crime prevention/violence, cultural or racial awareness, cultural or racial awareness, cultural preservation, displacement, economic development, education, environmental issues, physical health, wellness, and medicine and mental health, wellness, and medicine, homelessness, housing, hunger/food justice, illiteracy/literacy, immigration, imprisonment/rehabilitation, local food movement, public safety, social equity, substance abuse, teen pregnancy, tourism/community identity/branding transportation and use of public space.

2.2 Predictor Variables

2.2.1 Board Diversity

The variable of primary interest is the racial diversity on the governing board and it is measured by the percentage of racial minority board members

$$\left(\frac{\text{Number of racial minority board members}}{\text{Number of board members}} \times 100 \right).$$

2.2.2 Revenue Sources

Resource dependence theory posits that organizations' dependence on particular sources of funding results in unique patterns of behaviors (Ulrich and Barney 1984). Based on the resource dependence theory, the organizational publicness literature views that the extent of the influence of political authority on the organization, relative to the influence of economic authority, determines an organization's publicness (Bozeman 1987). This study controls for the influence of government funding and commercial revenue on arts organizations' civic engagement and community development activities, by including the two variables of the *amount of government funding* and the *amount of earned income*. Both values are converted into logarithmic forms to remedy the skewedness in their distributions.

2.2.3 Organizational Size

This study controls for an organization's size, as the availability of financial and human resources can affect its participation in non-mission serving activities. Research suggests that a nonprofit's size, in terms of budget and staff, is positively correlated to its participation in civic and political activities (Donaldson 2007; Mosley 2010). Organization theories suggest that slack resources facilitate organizational innovation and change, regardless of type of organization or type of innovation (Damanpour 1991). Slack resources allow an organization to afford the investment in non-conventional activities and the costs incurring from these activities (Rosner 1968). Organizational size is measured with the amount of total revenue (its natural logarithm).

2.2.4 Endowment

Endowments are assets invested with the intent to generate a perpetual income stream for an organization (Bowman 2007). Although there are different levels of

restrictions in terms of how the income from an endowment can be spent, organizations can use endowments to buffer external shocks in circumstances where an organization may face a budget deficit (Fisman and Hubbard 2003). Endowments also provide nonprofits with an income stream that is independent from services rendered or products sold, therefore, they may allow organizations the flexibility to engage in activities that do not directly serve their exempt purpose. The regression model includes a dichotomous variable of whether an organization had an endowment.

2.2.5 Arts Program Activities

Local arts agencies vary greatly in terms of the services they provide (Americans for the Arts 2019). Some agencies provide their own arts programming while other agencies may operate as membership organizations for individual artists and arts organizations, as grantmaking agencies to individual artists and arts organizations, or as fundraising intermediaries for arts organizations and programs. Adherence to artistic missions may be more important among the agencies that present their own arts programming than among those that do not offer any direct performance or exhibition. Local arts agencies making grants to other arts agencies or individuals may also have different motivations or face different restrictions in terms of their participation in civic engagement or community development; that is because they tend to receive a higher level of government funding that includes communities or regions or have a government contract for capacity building in communities. The model includes the two dichotomous variables of whether an organization presented their own art programming and whether an organization provided direct financial support in the form of grants or contracts, including regranteeing programs.

2.2.6 Paid Membership

Although paid membership itself does not prohibit public's access to a nonprofit's service(s), nonprofit memberships are often considered as a form of charitable donation and organizations are under pressure to conform to expectations and preferences of their donors (Gregory and Howard 2009). By establishing different tiers of membership, nonprofits also segment their markets and provide paying members with opportunities for establishing social networks (Paswan and Troy 2004). Hence, organizations with a paid membership may focus more on serving an exclusive network of individuals than on contributing to broader public interests, compared with organizations without a paid membership. The model includes a variable whether an organization had a paid membership base.

2.2.7 Organizational Age and Board Members' Age

This study controls for the organization's age and the proportion of younger board members. Older, more established organizations are reluctant to change the status quo, and therefore, they may not participate in activities for social change as actively as younger organizations (Kelly and Amburgey 1991). Studies also find a positive association with the presence of younger members on nonprofit boards and nonprofits' involvement in varied activities including outreach and community involvement (Osili et al. 2018; Ouma and Webi 2017). Individual board members' age is not available in the data, and the survey instead specified 5 different age groups: younger than 18, 18 to 24, 25 to 44, 45 to 64, and 65 or older. This study controls for the proportion of board members who were 44 years old or younger at the time of the survey (X and Y generations by definition).

2.3 Board Size

Guo and Musso (2007) emphasize that nonprofits' representational capacities engaging in external activities determine how well they represent the broader community. As a way of enhancing their representational capacities, some nonprofits have community residents from marginalized groups serve on their board (Guo and Musso 2007). Research shows that organizations with a larger board size have a more extensive network within the community (Fu and Shumate 2017). While larger boards do not necessarily have greater representational capacities, with more seats available, larger boards are better positioned to increase organizations' representational capacities than are smaller boards. The number of board members is controlled in the regression model.

2.3.1 Region

Schneider (1996) suggests that understanding philanthropy and civic engagement requires taking account of regional variations. Research explains regional differences in civic engagement and volunteering with such reasons as government funding, religious and political values, costs and benefits associated with participation (Bekkers 2016). Empirical studies of US regions indeed show regional differences in terms of residents' civic engagement (Cornfield et al. 2018; National Endowment for Arts 2015). While the evaluation of regional differences is beyond the scope of this study, the regression model includes an organization's census region (Midwest, South, West and Northeast).

3 Results

Table 1 provides a brief description of the study sample and shows that more than a half of arts organizations participated in civic engagement (55.8%) or community development activities (53.7%). Table 1 shows that 38.2 percent of the organizations participated in both types of activities, 15.1 percent in civic engagement only and 17.6 percent in community development only. Approximately 30 percent (28.7%) of the organizations did not participate in either activity. The results in Table 1 also indicate a lack of racial diversity in governing boards among arts organizations, with an average of 13.4% of board members belonging to racial minorities. This is below the average sector-wide racial minority board member ratio of 16 percent (BoardSource 2017). Further breakdown of racial composition reveals that more than one-third (35.71%) of arts organizations did not have a racial minority board member at all. BoardSource’s (2017) survey of nonprofit organizations in 2016 shows that 27 percent of nonprofit organizations had an all-white board. This comparison suggests that the lack of racial diversity is a more serious problem in the arts subsector.

Table 1: Descriptive statistics (*N* = 407).

Variables		Means
Civic engagement		56.0%
Community development		55.0%
Both civic engagement & community development		39.2%
Only civic engagement		17.3%
Only community development		16.4%
None		27.1%
Board Diversity	(Racial minority % on board)	13.1%
Resource dependence	Government grants (in \$1000)	367.2
	Earned income (in \$1000)	341.5
Total revenue	(In \$1000)	1176.1
Endowment		35.6%
Presenting own arts programming		30.2%
Grantmaking		48.4%
Paid membership		70.6%
Organization age		32.9 years old
Board size		15.8 persons
% Under 44 on board		23.0%
Midwest		26.3%
Northeast		15.7%
South		37.8%
West		20.2%

Table 2 shows the results from the bivariate probit regression. The results support Hypothesis 1, as the proportion of racial minority members on the governing board is positively associated with an organization's participation in civic engagement. The results also support Hypothesis 2, showing a positive association between boards' racial diversity and participation in community development. In other words, the more racially diverse an organization's governing board is, the more likely it is for the organization to engage in civic engagement and community development activities.

Table 2 shows that the logarithm of government grants is positively associated with participation in civic engagement but not with participation in community development. The amount of business income is not significantly associated with participation in either activity. An organization's total revenue is positively associated with participation in community development activities, but not with participation in civic engagement. However, board size is not significantly associated with arts organizations' participation in either activity. Additional analysis shows that the correlation between the percentage of racial minority and

Table 2: Bivariate probit regression results ($N = 407$).

	Log likelihood Wald $\chi^2(26)$ Prob > χ^2	= -492.21445 = 78.28 = 0.0000
	Civic engagement	Community development
Racial minority % on board	0.014*** (0.005)	0.016*** (0.005)
Log (government grants)	0.041** (0.018)	0.008 (0.018)
Log (earned income)	0.004 (0.009)	0.010 (0.009)
Log (total revenue)	0.040 (0.049)	0.146*** (0.050)
Endowment	0.111 (0.154)	-0.172 (0.157)
Presenting own arts programming	0.209 (0.148)	0.320 (0.150)
Grantmaking	0.103 (0.141)	0.087 (0.142)
Paid membership	0.126 (0.155)	-0.237 (0.156)
Organization age	-0.005 (0.004)	0.003 (0.005)
Board size	0.005 (0.008)	-0.000 (0.009)
% Under 44 on board	0.002 (0.004)	0.001 (0.004)
Midwest	0.026 (0.202)	0.473** (0.204)
Northeast	-0.228 (0.221)	0.588*** (0.227)
South	-0.345** (0.187)	0.242 (0.190)
Constant	-1.008* (0.536)	-2.353*** (0.551)
/athrho	0.521*** (0.090)	
Rho	0.478*** (0.070)	

LR test of rho = 0, $\chi^2(1) = 35.5598$, Prob > $\chi^2 = 0$. Standard errors in parentheses. Statistical significance levels are *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

board size is about 0.08. In the LAAC, more than one-third of nonprofit local arts organizations had no racial minority board members; for organizations with at least one racial minority board member, the correlation between the racial minority percentage and board size is even lower at -0.13 . Overall, these findings suggest that larger boards are not necessarily more diverse in racial composition.

Table 2 shows that the rho is positive and statistically significant, suggesting that participation in civic engagement and participation in community development are positively interrelated. The results also reveal that there exist regional differences in nonprofit arts organizations' civic engagement and community development activities. Organizations in the Midwest and Northwest regions are more likely to participate in community development activities than ones in the Southern and Western regions. These results are consistent with the existing survey findings (Cornfield et al. 2018; National Endowment for the Arts 2015). Organizations in the South are less likely to participate in civic engagement than organizations in other regions.

Each column in Table 3 provides the average partial effect of a unit change in each independent variable on the likelihood of the four scenarios – participating in neither civic engagement nor community development, only in civic engagement, only in community development, and participating in both activities, respectively. First, the results show that a one percent increase in the proportion of racial minority decreases the likelihood of forgoing both activities by a 0.6 percent and increases the likelihood of participating in both by a 0.7 percent. In other words, an organization with 40 percent of the board members being racial minorities is 21 percent more likely to get involved in both civic engagement and community development than a nonprofit with 10 percent of the board members being minorities, when all other values are held at their means. Results also reveal that organizations with paid membership are more likely to participate only in civic engagement (and not in community development) by 6.8 percentage points, but are less likely to participate only in community development (and not in civic engagement) by 7.1 percentage points.

The results in Table 3 indicate that total revenue is positively correlated with arts organizations' civic engagement and community development activities. A one percent increase in total revenue decreases the likelihood of forgoing both activities by 3.6 precents and increases the likelihood of engaging in both activities by 4.2 precents. On the other hand, the amount of government grants is negatively associated with participation in community development – a one percent increase in government grants is associated with a 0.7 percent decrease in the probability of engaging in community development.

Table 3 also reveals the regional differences in terms of participation in each activity. In particular, art organizations in the Northeast and Midwest regions are

Table 3: Average partial effects ($N = 407$).

	None ($pr = 0.269$)	Civic engage- ment only ($pr = 0.173$)	Community devel- opment only ($pr = 0.165$)	Both activities ($pr = 0.393$)
Racial minority % on board	-0.006*** (0.001)	-0.001 (0.001)	0.000 (0.001)	0.006*** (0.002)
Log (government grants)	-0.009* (0.005)	0.006 (0.004)	-0.007 (0.004)	0.010 (0.006)
Log (earned income)	-0.003 (0.003)	-0.001 (0.002)	0.001 (0.002)	0.003 (0.003)
Log (total revenue)	-0.034** (0.015)	-0.024** (0.012)	0.018 (0.012)	0.040** (0.017)
Endowment	0.009 (0.046)	0.059 (0.039)	-0.053 (0.034)	-0.015 (0.053)
Presenting own arts programming	-0.093** (0.040)	-0.032 (0.034)	0.011 (0.035)	0.113** (0.051)
Grantmaking	-0.035 (0.041)	0.003 (0.034)	-0.006 (0.033)	0.040 (0.048)
Paid membership	0.022 (0.045)	0.070** (0.033)	-0.072* (0.040)	-0.020 (0.053)
Organization age	0.000 (0.001)	-0.002 (0.001)	0.002 (0.001)	-0.000 (0.002)
Board size	-0.001 (0.002)	0.001 (0.002)	-0.001 (0.002)	0.001 (0.003)
% Under 44 on board	-0.001 (0.001)	0.000 (0.001)	0.000 (0.001)	0.001 (0.001)
Midwest	-0.091* (0.054)	-0.090** (0.041)	0.080 (0.053)	0.101 (0.071)
Northeast	-0.083 (0.059)	-0.135*** (0.034)	0.173** (0.068)	0.045 (0.079)
South	0.015 (0.055)	-0.110*** (0.040)	0.121** (0.048)	-0.026 (0.064)

Standard errors in parentheses. Statistical significance levels are *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

more likely to be involved in community development. Arts organizations in the Western region, which is the base category, are more likely to participate only in civic engagement (and not in community development) but are less likely to engage only in community development (and not in civic engagement), compared with organizations in other regions. There is no statistically significant difference in civic engagement and community development activities according to organizational age or the proportion of younger board members (Table 3).

4 Discussion

The findings suggest that the board's racial diversity is closely related with arts organizations' involvement in civic engagement and community development activities. The link between demographic characteristics of board members and organizational outcomes supports the case for board diversification. Most of all, the findings suggest that racial diversity expands arts organizations' focus from private and artistic goals and values to broader public interests. The positive relationship between the board's racial diversity and arts organizations' involvement in civic engagement and community development activities suggests that nonprofits assess racial and ethnic diversity of their boards and evaluate its consequences in terms of organizational legitimacy and capacity in collaborative networks (BoardSource 2017; Curtis 2020).

Despite the contributions, there are data and measurement issues that may limit the generalizability of the findings. First, board diversity consists of a number of different dimensions, including race, gender, skillsets, and religion. The gender dimension of diversity is not examined in this study because this study focuses on arts organizations, where women typically outnumber men. In fact, almost 60 percent of the board members in the sample were female. However, this is not always the case in other types of nonprofit organizations, as recent studies show that women are still underrepresented in nonprofit leadership (BoardSource 2017; Lee 2019). Future research should examine how gender and other dimensions of diversity, including gender and socioeconomic status, are associated with nonprofits' activities of serving the broader public, and how the different dimensions affect nonprofits' activities, using data of various types of nonprofit organizations.

Second, the puzzling relationship between the amount of government grants and participation in civic engagement and community development can also be better understood if types of government grants can be controlled. Not being able to control for types of government grants in this study limits the generalizability of its findings, as some governments grant accompany community engagement responsibilities. Studies report that nonprofit organizations receiving government funding face challenges in balancing their mission, the needs of the community and government requirements (Bennett and Savani 2011). Future research can examine how different types of grants affect civic engagement and community development activities by public charities, including arts organizations. Further research can also test if government funding crowds out or crowds in charitable contributions or earned income from sales and look into the impacts of government subsidies and other revenue sources on nonprofits' engagement in activities

that are not directly related to their exempt purpose (Brooks 1999; Tinkelman and Neely 2018).

Third, local arts agencies are diverse in their makeup, with different names and different artistic disciplines (Hager and Sung 2012). Common names of local arts agencies include, but are not limited to, arts council, arts center, business council for the arts, united arts fund (Americans for the Arts 2019). Diversity among local arts agencies implies limitation in terms of the generalizability of this study's findings, as the missions of these organizations are manifold; the variations in their missions suggest different levels of involvement in the civic engagement and community development activities. In addition to the heterogeneity within the arts subsector, future research should take into consideration the diverse dimensions of civic engagement and community development activities and examine how board diversity is associated with participation in different types of activities.

Fourth, because this study uses cross sectional data of arts organizations, it is impossible to examine how such external factors as economic and political changes affect arts organizations' participation in civic and community activities. Public charities' involvement in advocacy and other political activities tend to occur within a network of collaborative governance, which suggests that an organization's network capacity affects its participation in socially oriented activities (Mosley and Jarpe 2019). Hence, future research should examine how an organization's external environment and the dynamics in its collaborative governance network affect its civic engagement and community development activities with a longitudinal study utilizing data over the course of multiple years.

Fifth, this study focused on arts organizations, and this may limit the generalizability of findings beyond the arts subsector. However, the literature suggests that the emergence of market logic as the dominant logic throughout the sector contributes to the increased tension between serving private benefits and serving broader public interests regardless of organizational type (Brown 2018; Jönsson 2019; McMullin and Skelcher 2018), and the findings may well apply to other types of organizations. More research on the topic using the sector-wide information, will help better understand the relationship between nonprofit governance and civil society and any differences in this relationship across the subsectors.

Next, the positive association between boards' racial diversity and public serving activities does not mean that having more minority members on board will automatically turn these organizations' attention to broader society. Functional inclusion from having diverse members on the board should also be distinguished from social inclusion, which means diverse members exercising influence on the actual work of the board (Fredette and Bradshaw 2012). In this sense, organizational commitment for board diversity, from integration and learning perspectives, should result in greater inclusion of diverse perspectives and achieve sustained

benefits of diversity (Ely and Thomas 2001). The differences in board dynamics may also affect the diversity-civic and community engagement link. Future research on organizational inclusion can also examine organizational behaviors, policies and board dynamics, using qualitative data based on interviews and focus group studies.

Lastly, the connection between board diversity and civic and community engagement does not necessarily mean a causal relationship, as this study uses cross-sectional data and the proportion of minority board members can be endogenous. In other words, it is possible that an organization's commitment to public interests leads to an active recruitment of minority board members, rather than the other way around. Although the reverse causality cannot be completely ruled out, the literature strongly supports the view that board composition affects organizations' socially oriented behaviors, civic engagement and community development (Daley and Angulo 1994; Guo and Musso 2007). Qualitative research using interviews or focus groups and analyses of longitudinal data will help clarify the nature of the relationship between board diversity and socially oriented activities.

5 Conclusion

This study's findings suggest that the racial diversity of arts organizations' governing boards is positively associated with a shift in organizational priorities, from privately oriented goals to publicly oriented ones. Board diversity has been advocated as a means of improving nonprofits' performance in various areas, including fundraising, financial success, and nonfinancial performance (Gazley, Chang, and Bingham 2010; Harris 2014). Recent research also finds that nonprofit leaders, including both executive directors and board members, are not satisfied with the diversity on their governing boards and they agree that there is a need for increased diversity in nonprofit leadership (Bernstein, Buse, and Bilimoria 2016; Fredette and Bernstein 2019). Despite the theoretical and practical support for increasing board diversity, nonprofits have done little to prioritize demographics in their board recruitment practices although they report high levels of dissatisfaction with the current board demographics – especially racial and ethnic diversity. Studies continue to show that an overwhelming majority of the board members are white, and that full inclusion of racial and ethnic minority group members in governing boards remains an elusive goal for many nonprofit organizations (Bernstein, Aulgur, and Freiwirth 2019; BoardSource 2017). By revealing that racial diversity of the governing board is positively associated with arts organizations' involvement civic

engagement and community development activities, this study provide support for reinforcing these organizations' commitment to board diversity.

Nonprofit organizations face the recurring political pressure to justify their tax-exempt privileges from all levels of government, and the perspective of community benefits is used as one of the justification for tax-emption for nonprofit organizations (Herring et al. 2018; McMillan 2020). Anheier and Toepler (2019) further argue, "Regulatory frameworks ought to recognize different degrees of publicness versus privateness of the benefits generated by associations: associations that primarily serve public purposes should be eligible for greater tax benefits and other concessions than those that exclusively serve their members' interests." The findings of this study imply that board diversity can help find an answer to the justification question.

In summary, the present study sheds a light on an unknown dimension of board diversity-organizational performance link by examining the relationship between racial diversity on the governing board and arts organizations' civic engagement and community development. The findings suggest that board diversity is the key in establishing the link between the nonprofit governance and public interests: board diversity helps nonprofit organizations expand their focus from narrowly defined missions and attend to broader issues of public interests and maximize their contribution to society.

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