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The Nonprofit Quarterly

Special Governance Issue

Emerging Forms of Nonprofit Governance

Guo on the Democratic Deficit in Nonprofit Governance

Cohen on Sarbanes-Oxley

Andersson on Next Questions

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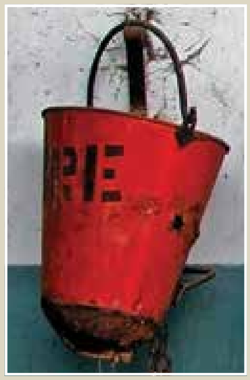
Features



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Welcome to Emerging Forms of Nonprofit Governance

Dear readers,

This edition of the *Nonprofit Quarterly* focuses on the moving target of nonprofit governance. The target is moving not only because ideas and practices in governance are shifting more generally but also because many nonprofits have, frankly, been lazy thinkers where governance is concerned. This has led to an overdependence on prescriptive norms, a general lack of attention to research, and a dearth of real creativity aimed at a powerful endgame. In recognition of this intellectual logjam, for ten years *NPQ* has collaborated with the Midwest Center for Nonprofit Leadership to sponsor a conference that brings academics and practitioners together. The conference's mission is to discuss the theoretical frameworks in relation to the realities of nonprofit governance and the questions we see as needing further exploration. This special edition of *NPQ* reflects for the most part a combination of papers delivered and ideas explored at the conference over the last decade. It is in no way definitive but rather a stop along the way to refining governance practices to make nonprofits even more powerful and effective than they are now.

Why Won't My Board Fundraise? I'm Dizzy! Why Won't the World Stop Turning?

Here is a thought: maybe for most nonprofits the board will not, after all, be your fundraisers—but your governance system will! And, just in case you don't get the point, we are talking less about getting your board to fundraise than about entreating you to consider transforming your nonprofit governance system so that it actively honors, informs, supports, amplifies, vivifies, and expands the work of the organization. The work of governance includes—but is hardly limited to—fundraising. And, arguably, if you do not use the governance system writ large in ways that demonstrate that you value your community of stakeholders for things *other* than their cash, they may be less likely to fund you—or recommend you for funding by others.

The Definition of Insanity: Trying to Fire Up the Edsel

It has been the case for many decades now that when you ask people in the nonprofit sector about their major issues with their boards, the response is an embittered collective whine about the unwillingness of board members to take on fundraising for the organization. Some organizations, do, of course, have one of *those* boards—filled with billionaire hedge fund managers willing to make use of their financial and social capital on behalf of the organization. But this is generally not what most of our boards look and act like. In fact, Francie Ostrower's groundbreaking study, based on a survey of board practices (see page 40 of this issue), found that only 29 percent of boards are active in fundraising. That doesn't stop us from trying to re-create our board in the revered image of symphonies or the Harlem Children's Zone. We keep expecting this old car to start, when it was an Edsel—at least for most of us—to begin with.

It is not entirely the fault of practitioners, who have been trying for years to tinker here and there in hopes that the vehicle will finally spark up and get on the highway, somehow becoming fully capable of negotiating the passing lane; they have been assured by salespeople that it will easily do at least a reasonable sixty-five miles per hour if they just keep at it. These salespeople include governance consultants, whose business model is based on a set of antiquated formulas, some of which flat-out do not work for many nonprofits.

Here is one of those formulas: People with connections to money on your board = a healthier budget. Of course, you are told, you have to work the whole system right—and that, it seems, is where it all falls apart . . . or is it?

In 2003, Bill Ryan, Richard Chait, and Barbara Taylor wrote an article for *NPQ* titled "Problem Boards or Board Problem?," in which the authors suggested that if the current structures and concept of the board are not working for so very many, perhaps it is less about a mass generalized dysfunction than about the fact that the basic precepts underwriting the governance systems of nonprofits are not accurate with respect to what we want them do.

There are some real indicators that the latter may be the case. David Renz and Robert Herman surveyed sixty-four human service organizations in 1993, and then again in 1999. The nonprofits were sorted into two groups: those more dependent on earned income ("commercial organizations") and those more dependent on contributed income ("donative organizations"). When the authors examined the relative levels of prestige of their boards, they found that the commercial organizations began with fewer influential members than did the donative organizations, but both groups increased the prestige of board members at approximately the same rates:

"Contrary to what we expected, those nonprofits with no or only small increases in board prestige had, on average, more gain in total revenue . . . For the total sample of forty-four community-based organizations, those with large increases in prestige averaged total revenue increases of a little more than $642,000; those with no or small increases averaged gains of a little more than $941,000. The same held when we sorted the organizations into 'donative' and 'commercial' nonprofit organizations. Among the donative organizations, the average gains for the no/small increase in board prestige were almost $912,000 and a little more than $780,000 for those with large increases in board prestige; the respective gains for the commercial nonprofits were $1,010,000 and $469,000. Clearly, increasing board prestige was not instrumental in improving an organization's financial outcomes."[1]

So, the advice sounds rational, but following it simply does not work for some types of organizations, and, in fact, has an adverse effect even on just the budget. We printed the above a decade ago, but probably every twenty-two seconds or so a poor nonprofit somewhere is being given the advice about recruiting for prestige. As Ryan recently joked, the "nonprofit governance industrial complex" is no small force.

Beam Us Up, Scotty—We Need to Rethink the Vehicle

While many boards are still trying to get on the highway, others have engineered ships built for and fueled by close encounters with constituents. Okay, we know we are mixing our popular metaphors, but a growing number of organizations have realized that if they want to keep people attached to them—energy and treasure and all—they must ensure they are listening and responding to, and even providing common space for, those people who feel that they have an interest in the organization to talk with one another. This large pool of advice and energy and cash does not replace other governance or fundraising approaches, but it adds to and changes them. It increases our power and accountability all at once.

Again, as we said at the beginning of this article, boards and governance are not the same thing. Boards play a part in your system of governance, but they are not the be-all and end-all by far. Many are in charge of telling nonprofit leaders what to do: regulators, funders, your community of beneficiaries—even their friends and families. Thanks to the wonders of the Internet, we can see even the most distributed and uncoordinated parts of this governance system fire up publicly and pretty quickly now when an organization makes a decision that some group of stakeholders disapproves of (e.g., Susan G. Komen) or when an organization is perceived as needing protection or support (à la Planned Parenthood).

And, in fact, this more disparate and uncoordinated system may be able to move much more quickly in some cases than institutional partners can—partners whom you may see as being more powerful (for instance, major funders and policy-makers). These kinds of partners—especially the policy-makers—are traditionally influenced by the fourth estate (the press). But more and more, as the media industry changes and people have more capacity to publish themselves—whether it be in tweets or posts on an organization's website—policy-makers are becoming more sensitive to the groundswells of public voice. And we are likely seeing just the tip of the iceberg.

In "Reframing Governance II" (also in this issue), Renz surfaces the undeniable reality that, at levels where decisions about funding and policy get made, much of the generative work of governance for government-funded nonprofits has been done outside of any one agency's board room. He suggests that we should all be paying more attention to how these realms are influenced through networks. Robin Katcher takes up the issue of networks and the way they are governed in "Unstill Waters: The Fluid Role of Networks in Social Movements."

Groups developed in a more modern image have structured in a broader system of governance that connects with participation in the work of the organization and supporting the organization financially. Will a larger network that directs with a smaller group (board), ensuring the integrity of systems, be the new standard form of organizations as we progress forward? It is anyone's guess.

Thus, while we have been sitting in our insulated board rooms discussing what has made it onto the agenda, there may be much larger agenda items brewing for us elsewhere; prime among them would be the use of our natural resources (our constituency and stakeholder bases) when it comes to wielding power and influence.

In this issue, Chao Guo discusses the difference between a representational approach to governance and a participatory approach: "This is an exciting time for civil society in that there seems to be renewed interest in public deliberation and collective action. At the same time—perhaps driving this renewed interest—information and communication technology has begun to unleash new possibilities for democratic governance. Social media are equipping organizations with the opportunity to instantly communicate with a broader range and new generation of constituents and engage them in joint action. Nonprofit governance is no longer limited to the boardroom; it is reaching out to people, partners, and communities like never before." Guo concludes: "In the dawn of a participatory revolution characterized by the power of the Internet and social media, an organization that fails to recognize and address the democratic deficit in its governance will be left behind."

The following excerpt—from a chapter by Michael Saward called "Governance and the Transformation of Political Representation," in *Remaking Governance: Peoples, Politics and the Public Sphere*—provides a sense of the larger context for our discussions:

"The shifts in styles of governance from state-centric and more formal modes to plural and often informal modes of engagement with citizens at local, national and supranational levels raise important new questions about the scope and legitimacy of traditional notions of political representation. In the spaces of public–private partnerships, stakeholder involvement and new, more direct forms of citizen engagement, is there a transformed notion of political representation emerging? Can more groups, people and styles of activity count as 'representative' and, if so, what does this mean for the way in which we understand the term and more broadly for the legitimating role that representation plays in democracy?" He goes on to note, "processes of governance seep into a wider array of contexts and embrace a wider array of actors. We are not dealing here with a simple transfer of 'representative' politics from one type or domain to another, but rather a significant shift in the primary political sense of representation as a practice and concept."[2]

Over the years, the governance research conference has more strongly focused on ideas about networked governance—but the strength with which society is re-forming assumptions about governance is surging ahead of most nonprofit practice. We need to find more well-conceived and up-to-date constructs.

Notes

1. Robert D. Herman and David O. Renz, "Do Big Names Really Draw Big Bucks?" *The Nonprofit Quarterly* 13, no. 2 (summer 2006): 18.

2. Michael Saward, "Governance and the Transformation of Political Representation," in *Remaking Governance: Peoples, Politics and the Public Sphere*, ed. Janet Newman (Bristol, UK: The Policy Press, 2005), 179–96.

The art for this special edition on nonprofit governance was contributed by Skip Hunt. Skip picked up a 35mm camera in the mid-1970s; bitten hard by the wanderlust beast, he has been canvassing the globe ever since, sharing his unique vision via photographic images. Skip's insatiable thirst for rich color and even richer cultural exploration keeps him on the road most of the time. Of his art, he has said, "I am beginning to believe that we are all born asleep and that the rest of our lives are spent trying to awaken. Image making reminds me to rise from that slumber and celebrate life's rich pageantry." When he's recharging his batteries, Skip calls Austin, Texas home. More of Skip's work can be viewed at kaleidoscopeofcolor.com.

Problem Boards or *Board Problem?*

by William P. Ryan, Richard P. Chait, and Barbara E. Taylor

The authors suggest that much of the current investment in addressing problems of performance might be better spent on examining issues related to better defining purpose.

***Editors' note:** This article was first published in* NPQ*'s summer 2003 edition.*

The past twenty years have seen the steady growth of training programs, consulting practices, academic research, and guidebooks aimed at improving the performance of nonprofit boards. This development reflects both hopes and doubts about the nonprofit board. On the one hand, boards are touted as a decisive force for ensuring the accountability of nonprofit organizations. On the other hand, the board is widely regarded as a problematic institution. And it's not just the occasional nonprofit financial implosion or scandal that's troubling. All institutions, after all, have their failures. Perhaps more worrisome is the widespread sense

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PHOTOGRAPH: "FIRE PAILS"


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that underperforming boards are the norm, not the exception.

After contributing to these board-improvement efforts for over two decades, as both researchers and consultants, we have recently looked afresh at the challenge of improving nonprofit boards as part of the Governance Futures project. Conceived by BoardSource (formerly the National Center for Nonprofit Boards), in collaboration with the Hauser Center for Nonprofit Organizations at Harvard University, the project seeks to reconceptualize governance. Although it ultimately intends to generate new and practical design strategies, we have focused first on the problems of the board—on the theory that a better framing of the problem will lead to better responses. Through dialogue with practitioners, a review of the literature on nonprofit governance, and the application of various intellectual frameworks (from organizational behavior to sociology), we have begun to see the cottage industry of board improvement in a new light. Most importantly, we have concluded that we have been working on the wrong problem.

What if the central problem plaguing boards is not ignorance about important roles and responsibilities but lack of a compelling purpose in the first place?

Problems of Performance

The problem with boards has largely been understood as a problem of performance. Judging from our recent discussions and interviews with board members, executives, and consultants, three board-performance problems appear most prevalent. First, dysfunctional group dynamics—rivalries, domination of the many by the few, bad communication, and bad chemistry—impede collective deliberation and decision making. Second, too many board members are disengaged. They don't know what's going on in the organization, nor do they demonstrate much desire to find out. Third, and most important, board members are often uncertain of their roles and responsibilities. They can't perform well because they don't know what their job is. When we spoke with twenty-eight nonprofit governance consultants about their recent engagements with troubled boards, nineteen characterized the client's problem as ignorance or confusion about roles and responsibilities.

Scores of analysts have addressed this problem and, in response, offered one version or another of an official job description for the board. The vast, prescriptive literature can fairly be distilled into five functions:

1. Set the organization's mission and overall strategy, and modify both as needed.
2. Monitor management, and hold it accountable for performance.
3. Select, evaluate, support, and, if necessary, replace the executive director or CEO.
4. Develop and conserve the organization's resources—both funds and property.
5. Serve as a bridge and buffer between the organization and its environment, advocating for the organization and building support in its wider community.

The roles-and-responsibilities conception of board performance has obvious appeal. With a problem defined as ignorance, the solution becomes knowledge. And since we already possess—in the form of official job descriptions—the knowledge that boards need, we need only disseminate that knowledge to unenlightened trustees to cure the problem. The expectation is that we can train our way out of board problems.

Behind these problems of performance, however, looms another, more fundamental problem: one of purpose.

Some advocates of a roles-and-responsibilities approach inadvertently acknowledge this problem when they reason that, since the board endures as an institution, it must be important. "The widespread existence of boards," writes Cyril Houle, "means that they must possess values which are apparently essential to modern life. It will therefore be useful to assess the reasons why boards are important."[1] The very formulation of this approach—or variations common in the literature—betrays a fundamental problem. If the board is so important, why do we need a whole literature to explain why this is so? This question raises another: What if the central problem plaguing boards is not ignorance about important roles and responsibilities but lack of a compelling purpose in the first place?

Problems of Purpose

We can approach the problem of purpose in two ways. We can attempt to expose the board as an irrelevant institution constructed around a set of hollow roles and responsibilities. Or, as we prefer, we can ask whether the purposes now ascribed to boards might be necessary, but insufficient, to sustain engaged and effective service by nonprofit board members. Even this approach, however, requires some reflection on the problem of purpose. We start with three causes of the problem.

The Substitute's Dilemma: The Most Essential Work Can Be the Least Meaningful. By law, the board's fundamental purpose is to hold a nonprofit accountable to the broader community. The law offers little guidance, however, on how boards should do so—beyond referring to broadly conceived "duties of loyalty and care." The standard statements of roles and responsibilities offered to board members attempt to add flesh to this legal skeleton. But a job predicated on legal accountability is, almost by definition, not a compelling job. To ensure this accountability, boards focus on norms and standards of minimally acceptable behavior. Trustees are tasked to prevent trouble more than promote success.

This approach places board members in a position akin to that of the maligned substitute teacher. As an institution,the substitute teacher works effectively. The device assures school administrators and parents that children who might otherwise run amok will remain under control. But the job of the substitute teacher is singularly unattractive. Adherence to minimum standards—not trying to teach but merely trying to keep order—is as or more challenging than actually teaching. It is also far less rewarding. So it is with board members. What we have essentially asked is that trustees keep order.

Why not concede that boards do unglamorous but essential work and get on with it? The reason lies again in the paradox of substitute teaching. The teacher who educates children actually stands a better chance of keeping order than the teacher required only to keep order. Similarly, the board that is expected to improve organizational performance also stands a better chance of ensuring

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accountability. By focusing primarily on accountability, we have created a job without a compelling purpose. As a result, board members become disengaged. And the more disengaged they are, the less likely trustees are to ensure accountability—the very reason we created boards in the first place. By asking for a little, we get even less.

By focusing primarily on accountability, we have created a job without a compelling purpose. As a result, board members become disengaged.

The Monarch's Challenge: Important Work Is Sometimes Institutional, Not Individual. The problem is not that the board is some pointless appendage that renders board members inconsequential. To the contrary, the board, as an institution, is so important and effective that it can sometimes function almost without regard to the effort of individual board members. In that sense, a board may be more like a heart—too vital to rely on conscious effort to perform. Consider four cases where the board can perform well and thus leave board members little to do.

First, boards provide legitimacy for their organizations. Unlike the business sector, where stakeholders can judge a corporation by financial performance, the prospective funders, clients, and employees of the nonprofit sector often rely on signals and proxies—none more compelling than the presence of a distinguished board—to assess an organization's efficacy. But beyond lending their names to the organization's letterhead, and occasionally attending a public function or official event associated with the organization, board members need not do anything to create legitimacy. They merely confer it.

Similarly, the board provides managers with what organizational theorists call "sense-making opportunities" simply by meeting, writes Karl Weick.[2] The mere prospect of a board meeting—where little or nothing may actually happen—requires managers to prepare written and oral reports that make sense of organizational events, challenges, and data. Management must be able to communicate to the board an integrated and sensible account that describes and interprets the organization's situation. Presumably, a more curious or inquisitive board will compel managers to be better sense-makers, but the mere occasion of board meetings goes a long way by itself.

The board, as an entity, also encourages vigilance by managers. Nonprofit executives often say, "The board keeps me on my toes" or "I can feel the board looking over my shoulder." Henry Mintzberg, a strategy theorist, likened the corporate board to a bumblebee that buzzes around the head of the CEO. Ever mindful of the possibility of being stung, the CEO remains vigilant. As that image suggests, even random, annoying activity can be sufficient to keep managers alert. The flurry of activity alone has important effects.[3]

Parsing these individual and institutional roles, we return to the legal role of the board as an accountability agent. We can construe society's mandate to the board as an active one: ensure accountability. But it's also true that the wider society's interests are satisfied to a large extent by the mere existence of the board, which serves as a legally answerable entity in the event of wrongdoing by the organization. The board assumes the ultimate legal responsibility. We hope that responsibility leads the board to "due diligence," but nothing in the law can compel the board to also be high-performing.

As trustees attempt to define the purpose of a body that in some ways requires little of them, they face something of the predicament of a monarch in a modern, democratically governed state. It's the institution of the monarchy—not the individual monarch—that does much of the work. The monarchy helps to create a national identity, reassuring and unifying the country (especially in times of crisis), marking important events through ceremony, and, not least, developing the tourism economy. Some monarchs are more likeable than others, but most purposes of the institutional monarchy can be fulfilled regardless of the individual monarch's capabilities or personality. For a monarch, the solution to this problem of purpose is to respect the official job description, however limited, and then to invent an unofficial job description in order to use the position to advance causes close to the monarch's heart. Board members face the same challenge. If they rely on the institution of the board to generate meaningful work, they are likely to be disappointed.

The Firefighter's Down Time: Important Work Is Episodic. Sometimes boards resemble neither substitute teachers nor modern monarchs.

Sometimes boards are personally engaged in important work where the trustees' performance proves decisive. Under these circumstances, such as hiring a CEO, considering a merger, deciding whether to expand or eliminate programs, or dealing with a financial crisis or personnel scandal, boards are called on to be diligent and purposeful. But in times of calm, when there is no one to hire or fire, no strategic choice to make, and no crisis to manage, then what is the board's purpose?

We tend to take little account of the fact that important board work can be highly episodic. Board members meet at regularly prescribed intervals, even when there is no urgent work to do. If boards are to be strategy-makers, as many governance gurus advise, can management realistically devise an agenda replete with important "bet the company" questions at every meeting? In response to this demand for strategic content, staff may begin to inflate routine issues into questions of strategy. Board members and staff alike soon begin to equate meeting with governing. And when the important work that boards sometimes do remains undifferentiated from the mundane or even contrived work that comes in the intervals, the important work becomes devalued. Encouraged to go through the motions, board members are frequently driven to ask the ultimate question of purpose: Why am I here?

Boards once filled "down time" by taking a direct role in managing the organization. But the rise of professional nonprofit management has discouraged—though not eliminated— that practice. With the widespread acceptance of the official job description for boards, such hands-on work now constitutes "meddling" or "micromanaging"—a breach of the staff-board boundary. The modern consensus is that nonprofit organizations do not need boards to manage operations. But does it follow that nonprofits need boards to govern every time they convene, even when there are no strategic imperatives to decide?

In most fields where important work is episodic, practitioners do not insist otherwise. A firefighting company, for example, spends only a small fraction of its time actually fighting fires. Some time is devoted to training; some is used to maintain equipment; some is spent on fire prevention; and some is simply spent waiting—cooking,

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If boards approached the question of how to use down time explicitly, rather than lament the absence of a perpetually strategic agenda, they might, in fact, become more valuable assets to their organizations.

eating, watching television, and informally strengthening the camaraderie of the group. Instead of making the preposterous claim that a fire company is always fighting fires, fire departments put down time to good use.

What do boards do with their down time? In practice, of course, we know that boards do more than govern in formal board meetings. For example, we asked board members to think about a "no-board scenario" by posing the following question: What would be the single gravest consequence to your organization if the board did not meet or conduct board business in any way for a two-year period? In response, board members said the organization would suffer the loss of fundraising capacity, loss of good advice or expertise, and loss of contacts in the community. Though these assets certainly help nonprofits, and may improve organizational performance, they are not governing per se, and they are not always developed or delivered during formal meetings. They are downtime activities that boards pursue when they are not called upon to govern. If boards approached the question of how to use down time explicitly, rather than lament the absence of a perpetually strategic agenda, they might, in fact, become more valuable assets to their organizations.

Specifically, board members might tackle the question of what constitutes effective preparation or readiness to govern. In lieu of formal board training events at long intervals, boards could construe learning about their communities or constituencies as vital, continuous preparation for governing. Instead of merely recruiting members who appear to be well informed, organizations could use their meetings to promote learning by all board members. Board members could construct and pursue a learning agenda through field work, meetings with other boards, or extended interaction with constituents. By learning as a board, the board would have a deeper and shared body of knowledge available when the time comes for important decisions.

If board members are not simply uninformed about their roles and responsibilities but are struggling to find meaningful work in an institution beset by problems of purpose, then what kind of board-improvement strategies do we need? If we can't train our way out of problems of purpose, then what?

Problems of Reform

In recent years, the field of nonprofit governance has approached the challenge of board improvement by continually trying to narrow the scope of the proper work for boards to a set of canonical responsibilities. Given the persistent dissatisfaction with board performance, perhaps this approach should be reconsidered. We can start with three questions. Why have we felt compelled to narrow board work to certain prescribed functions? Have we trimmed board service to the right set of essentials? And does the official job description really advance better governance?

The official job description undoubtedly represents an earnest effort to improve governance by focusing boards on the fundamentals. But it also solves another pressing need: how to divide organizational labor between nonprofit board members and an ever more professionalized nonprofit management. After all, the rise of professional management, rather than a sudden decline in trustee knowledge and intelligence, may best explain why board members have become increasingly uncertain about their roles. In a word, they have been displaced. As Harold Wilensky argues in a seminal analysis, the rise of new professions typically involves "hard competition," in which a would-be profession "sloughs off dirty work" on nearby occupations.[4] Doctors gave unpleasant tasks to nurses, who shifted them off to nursing aides, where they will remain until the emergence of a nurse's aide profession. Faculty offloaded admissions and advising on a new cadre of student personnel administrators. Though not as ungracious as sloughing off dirty work, professional nonprofit management has gently kicked the boards upstairs—confining them as much as possible to policy and strategy (even though there is little evidence that boards are as influential as managers in the policy-and-strategy spheres).

Many board members have trouble staying there, and when they cross the boundary into management territory, many executives and consultants are quick to condemn them as either woefully ignorant or downright mischievous.

Whatever the reason, when boards so "misbehave," managers proffer the official job description as guidance, or wave it like a restraining order. But in reality, it's hard to discern the line that divides policy and strategy from administration and operations. How can we be sure an operational matter is not of sufficient significance to warrant the board's attention? It doesn't help to assert that governors should not manage when the difference between management and governance is not crystal clear. It's also hard to govern at arm's length from the organization and without first-hand knowledge of the "business." How can a board develop strategy without direct contact with the operational realities of the organization—which is precisely where new strategies and ideas often emerge and are invariably validated or discredited? How can a board evaluate the performance of an organization without some direct knowledge of the enterprise?

The official job description does provide some opportunities for more active, hands-on work. Board members are often expected to represent the board to various social, civic, or professional networks, and to help the organization understand the larger environment better by bringing information from those networks into the board room. And boards have been granted, if not mandated, an enormous role in fundraising.

Why do these functions make the short list of essentials? True, the organization needs help in these areas, board members are good at these tasks, and trustees are often willing to perform them. But board members are not uniquely qualified for this work. Indeed, management could and does work on both funding and community support. But, in truth, these functions have one important characteristic: they keep board members busy outside the organization, where they are not apt to interfere with the work of managers and staff. In other words, the official job description doesn't insist that boards only govern, but the list improves the odds that trustees will not get in the way of managers.

If we were satisfied with the performance of boards, the fact that the official job description is not entirely, conceptually coherent wouldn't matter. If a pinch of policy, a heap of fundraising, and a dollop of strategy added up to better governed organizations, then why quibble? But given the frustrations of many board members and a pervasive sense among trustees—and those trying to help them—that their time and talent (and ultimately their treasure) are vastly underutilized, it is time to revisit our assumptions about what boards do and should do.

Rather than narrowing our sense of the board's work, we should try to broaden it. In fact, in developing managers or leaders, we do precisely this. We urge them to look beyond their narrow, official job descriptions to the more subtle, important, and personally satisfying aspects of their jobs. We might try the same for boards, asking how we can make board work more meaningful for board members and more consequential for their organizations. For those who want answers now, this may entail entirely too much thrashing about the problem. But a new sense of the problem of purpose may be more useful than still more solutions to the problem of performance. The right solution to the wrong problem rarely works.

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Notes

1. Cyril O. Houle, *The Effective Board* (New York: Association Press, 1960), 8.
2. Karl Weick, *Sensemaking in Organizations* (Thousand Oaks, CA: Sage Publications, 1995).
3. Henry Mintzberg, *Power In and Around Organizations* (Englewood Cliffs, NJ: Prentice-Hall, 1983), 76.
4. Harold L. Wilensky, "The Professionalization of Everyone?" *The American Journal of Sociology* 70, no. 2 (September 1964): 137–58.

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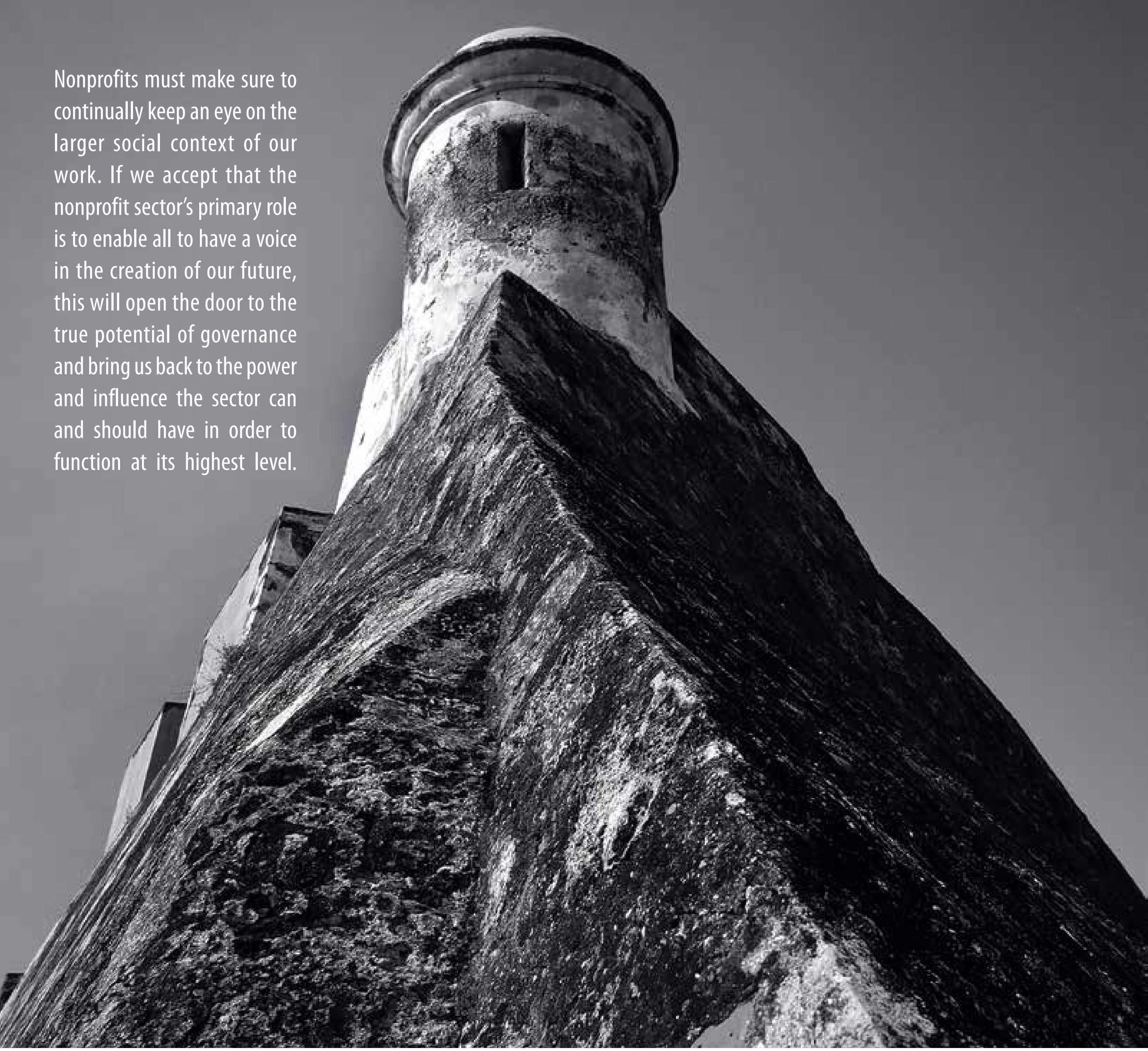

Nonprofits must make sure to continually keep an eye on the larger social context of our work. If we accept that the nonprofit sector's primary role is to enable all to have a voice in the creation of our future, this will open the door to the true potential of governance and bring us back to the power and influence the sector can and should have in order to function at its highest level.

Underestimating the ***Power** of **Nonprofit Governance***

by Ruth McCambridge

PHOTOGRAPH: "CASTILLO"

***Editors' note:** This article was first published in the* Nonprofit and Voluntary Sector Quarterly, *in June 2004.*

Much of the dialogue around nonprofit boards has focused on secondary or transactional issues rather than on the question of what good governance must include in a nonprofit setting. This serves to rob the nonprofits of creativity, rigor, power, and the kind of finely tuned understanding of accountability the public should expect. By focusing on the central questions and principles of nonprofit governance rather than on structural concerns, the possibilities for a wider variation in governance models open up. All organizations are set in a larger social context, so we cannot end our reflection at the individual nonprofit level. These questions are particularly pertinent during a period when our attention is focused on governance from Wall Street to Baghdad. Some believe that public governance is overly affected by corporate interests, and we are now seeing case after case of scandals exposing ethical problems in the governance of corporations that only recently were seen as exemplary. This puts the interests of ordinary and particularly marginalized people at risk. In a democracy, the nonprofit sector is there to ensure that people have a voice in our future—at the community, national, and global levels. If we accept this as our primary role, it has implications for what should be present as constants in our governance structures.

Are nonprofit institutions acting in ways that respect, and are open to the intellect and creativity of, the people they are established to benefit? If not, what are we inadvertently putting at risk? Have we made ourselves party to a larger problem of democratic deficit in this country by too often squatting ineffectually in the place needed for its revival? I think nonprofit leaders are increasingly missing the point of nonprofit governance and, as a result, functioning without the power and influence we might otherwise have.

A Quantum Leap Regarding the Possibilities

On a gray day in December, a group of civil servants sat around a gray, windowless room in a government building in Northern Ireland. The biscuits were packaged, the tea was tepid, but the conversation was, as they say, "absolutely brilliant." The participants in this conversation were functionaries in the Department of Culture and Leisure, one of eleven ministries in the new, shared government. I was there to help debrief them on their use of Future Search,[1] a highly inclusive planning process they had been using to suss out the resource-, policy-, and system-change needs of whole fields of endeavor (in their case, everything from soccer and libraries to archives, arts, and culture). The process attempts to bring the whole system into the room in order to have conversations about the future of the thing about which all have passion and concern. Participants seek out the best way forward and envision a different future that will involve all of them in its realization.

In the process, they began to see the practice, and potential, of governance differently. "To tell you the truth," one middle-aged man commented, "for the first time in my experience, this has given government the extraordinary opportunity to be on the same page as the people that it governs." What a powerful moment that was, summing up the cognitive dissonance sitting smack in the middle of our democratic system of governance.[2] The woman who had introduced Future Search into Northern Ireland's devolved and newly democratic government was Aideen McGinley, herself a thirty-year civil servant. In the fall 2003 issue of the *Nonprofit Quarterly*, she commented on the ethical construct that motivated Future Search's use:

> Responsible governance at every level requires us to be the voice of the people we represent. This is not a charge that should be taken lightly. It requires us to take the time to enable people to tell and make meaning of their own stories, so others can act with them on their own behalf. The single most difficult issue we face globally is keeping people motivated. There is such disengagement and disillusionment about political systems and when people are disillusioned they will disengage.

Ruth McCambridge is the *Nonprofit Quarterly*'s editor in chief.

Are nonprofit institutions acting in ways that respect, and are open to the intellect and creativity of, the people they are established to benefit?

When Governance Is the Message

More than a decade ago, I read and was deeply moved by an article called, "When Management is the Message," by Thomas H. Jeavons. In it, he suggested that the general public was disheartened by a growing gap between the institutionally self-serving management interests of nonprofit organizations on one hand and the values embodied in our mission statements on the other. Reflecting on this gap, he wrote, "Perhaps it is because the American public has higher expectations of . . . nonprofit organizations. The fact is that, as consumers, we half expect to be taken occasionally, or at least disappointed by, for-profit firms trying to increase their profit margin at our expense, and as taxpayers we almost assume that large corporations will cheat the government when they think they can get away with it, but we fully expect—even demand—a higher level of integrity from charitable or philanthropic organizations. We tend to believe . . . that they should operate with different values and that greater integrity in their operation is something we have a right to expect."

At the very least, such erosion of our relationships with constituents will result in an increasingly institutionalized sector progressively more beholden to business and government interests.

I would suggest that this faith is fast waning and that, if it disappears altogether, we will have no one to blame but ourselves. This time, it is not management that is eroding public confidence in the nonprofit sector but governance. And if we cannot restore the integrity of our governance systems, nonprofits will lose more than their reputations. As Jeavons said, nonprofits may find "the very existence of their organizations threatened, because the privileges and support on which they depend for survival could be withdrawn as the result of public disappointment." At the very least, such erosion of our relationships with constituents will result in an increasingly institutionalized sector progressively more beholden to business and government interests.

Public disappointment is already palpable. You might say that, with regards to the recent spate of scandals about self-dealing among trustees of foundations, as a Boston resident I sit in the belly of the beast. A spotlight team from the *Boston Globe* has found a great deal of low-hanging fruit in its recent investigation of philanthropy's miscreants. It is difficult to expect the general population to take the integrity of charitable institutions seriously when Paul Cabot Jr., the scion of a deceased local philanthropist known for his stereotypical Brahmin frugality, explained earnestly that he had to raise his salary as a trustee of the Paul and Virginia Charitable Cabot Trust to provide his wife with her expected $10,000 monthly allowance ("She seems to think it's not enough, like most women," he explained) and also, by the way, to cover $200,000 of expenses from his daughter's wedding. This while the assets of the trust have plummeted and while its annual disbursements have generally hovered at less than half of his annual salary.

This changes the tone of the conversations that people have with one another about nonprofits. A cab driver recently snorted at me, "Sweet deal, huh?" after I responded to his question about what I did. This fully justified cynicism does not affect just foundations. It colors our ability to believe in the honor of a much wider set of nonprofit institutions that are critically important to the health of our democracy. Although the Cabot Trust story points to a lack of reasonable controls, this is only the tip of the iceberg of what I see as a crisis in the governance of nonprofits.

The Real Cost of a Governance Crisis: Weakened Democracy

Roger Lohmann has proposed that this sector's true purpose is to provide the venues where people can become involved in the commons. I agree that this traditional chewy center of our identity is where our true distinction resides. The commons is elsewhere described as "the social and political place where things get done and where people derive a sense of belonging and have a sense of control over their lives." Elaborating on how things get done, Lohmann argued that there are five characteristic dimensions of collaborative common action:

- Free and uncoerced participation;
- Common or shared purpose;
- Participation that involves a sense of mutuality;
- Jointly held resources or endowment; and
- Social relations that are characterized by justice or fairness.

In the end, consistently violating the public's expectation that these characteristics are held and valued within our organizations is far worse than the theft of some cash by corrupt philanthropists.

Because the nonprofit activity people become involved in on a voluntary basis is often connected to something that matters to them at an emotional level, it has the potential of acting as an excellent training ground for any number of disciplines important to civil society and active democracy. It can, for instance, help people to understand first-hand what steps they might take to change circumstances that trouble them. This will likely provide them with enhanced knowledge and analytical skills about legislative and political systems, social history, media portrayal of issues that they care about, and a host of other topics. If they are learning about these things in the course of taking action that eventually produces results, the learning is robust and not only usable but also teachable by each person involved.

But although I often hear terms like civil sector, voluntary sector, and independent sector bandied about, with lots of aspirational language, I hear very little conversation about how the way nonprofits organize their own governance systems on a practical level accrues to the end result of citizen engagement in the commons. This seems to me to be a significant oversight—one that threatens to weaken participation in the commons. My belief is that most people are wise enough to eventually disengage from systems that disengage from them; engagement is not sustainable in any kind of an energetic way when it does not observe fully the mutuality principle mentioned above. Further, people are likely not only to disengage but to become cynical about the value of getting personally involved in civic life.

Some of you may be excusing yourself from this conversation by this time, believing that I am only talking about nonprofits involved in organizing and social change. Not at all. I am talking about any group involved in a sphere of common-cause work—nonprofit hospitals, the local Bach society, the local Boy Scout troop. The governing body of any group organized to meet the needs of a particular grouping of people has a number of responsibilities we are not yet fully acknowledging.

Why Are We Replacing Furniture?

We're not even responding to this other governance crisis in which citizens disengage from working in the commons. In a recent issue of the *Nonprofit Quarterly*, Gus Newport, who has been involved in both public sector and nonprofit governance, offered one example of how nonprofits can erode or build civic capacity. He told the story of an inner-city community in which urban blight had laid waste to the environment. Abandoned lots with toxic waste had replaced housing, parks were unsafe for children, and the streets were unsafe for all. At some point, a funder visited one of the local nonprofits to respond to a request for furniture. He caught sight of a map of the community and asked what all of the blacked out areas were. Upon hearing that they represented abandoned property, he asked, "We come out here to award a grant to replace some worn furniture when half the neighborhood is missing?"

This community was certainly populated with its share of nonprofits. But, as Newport related, in not advocating for meaningful change through common strategies and rigor, these nonprofits had become party to the ongoing poor condition of the community. Where were the boards of these organizations? Were they asleep at the helm? Did they not take their responsibilities seriously enough to evaluate the conditions that their nonprofit organizations were charged with correcting?

Our public expects much of us—at least more than allowing our operations to become institutionalized in a way that limits their freshness, their edginess, and their effectiveness and that puts institutional interests ahead of constituent ones. This may lead nonprofits to act in isolation from obviously necessary partners. As Jeavons argued, "An organization may operate in a manner that is completely above board and beyond reproach but fail to see how its specific mission relates to other issues bearing on the public good." Newport talked about this in his vivid example:

> The area served by DSNI [the Dudley Street Neighborhood Initiative] was already served by a number of nonprofits, divided up by issue area—housing, youth work, labor and job training, multiservice centers,

My belief is that most people are wise enough to eventually disengage from systems that disengage from them.

childcare, etc., by ethnic group and even by a combination of organizational histories. Despite the existence of all of these groups the area was a picture of urban devastation.

Although we have been spending time and ink on how to get boards to be minimally involved in the stuff that counts to our organizations, our communities and constituents have been falling out of love with us. And who is to blame them?

Eventually, the foundation that came out to replace the furniture offered to finance a full-scale effort to rejuvenate the neighborhood. But the residents resisted the idea of any of the local nonprofits acting as lead. This, Newport said, "tells us something about the disconnect between these organizations and the people they served—and tells us something about local boards' lack of stewardship." The Dudley Street Neighborhood Initiative was eventually developed to facilitate planning and organizing among the residents who controlled the organization. The results are striking: "Vacant lots have been transformed into 440 new homes, a town common, gardens, urban agriculture, parks and playgrounds, and 500 housing units have been rehabbed. Business is growing and the rebuilding continues today." Newport's governance example emphasizes the disciplines of inclusion, transparency, continuous leadership development (to ensure increasingly skilled engagement from constituents), rigor in planning, and active networking to ensure that strategies chosen are both highly leveraged and supported. This stands in some contrast to the usual vision of what nonprofit boards can and should do. Rather than focus on the larger, constituent-driven purposes that Newport urged, consultants and researchers have encouraged a more narrow focus in which boards' work is about organizational controls and resource development. I would liken this to replacing furniture: It is a pretty unimaginative and constrained approach to a situation full of need and potential. As Bill Ryan, Richard Chait, and Barbara Taylor pointed out in their wonderful article "Problem Boards or Board Problem?," "We can approach the problem of purpose in two ways. We can attempt to expose the board as an irrelevant institution constructed around a set of hollow roles and responsibilities. Or, as we prefer, we can ask whether the purposes now ascribed to boards might be necessary, but insufficient, to sustain engaged and effective service."

Accountability: Engagement, Rigor, and Integration of the Issues

Although we have been spending time and ink on how to get boards to be minimally involved in the stuff that counts to our organizations, our communities and constituents have been falling out of love with us. And who is to blame them? We are not paying the right kind of attention to them in the relationship. As we set our direction, we should be in broad and deep consultation and engagement with them, so that, as that Northern Ireland civil servant said, we can be assured of being on the same side of the fence with them. This requires that we be inclusive of those who should be beneficiaries of our work. Because we want to be affected by their hopes and dreams, our processes for their inclusion in planning and evaluation, in the development of their analysis of the barriers and opportunities to the work, should be sophisticated and a central focus of governance.

Additionally, we should be as analytical as possible about the source points of problems limiting or even tormenting the populations of people we work with. And we should be rigorous enough to work with them to choose an intervention that promises real, sustainable relief from systemic problems and an improved long-term future. This means that our boards should be attentive to any research going on in their fields of endeavor as well as in other fields that affect their work. Our boards should be attentive to our public policy context and to opportunities to really collaborate toward higher level solutions than exist now. Dudley Street Neighborhood Initiative, for instance, was able to obtain eminent-domain power over the neighborhood's empty lots, thereby providing the residents with remarkable control and leverage in development planning.

Awe-Inspiring Potential in Governance Reform?

"Active citizenship is a means by which we can all participate in shaping the society in which we live." In *Silent Theft: The Private Plunder of Our Common Wealth*, David Bollier talked about the commons (our job, remember?) as being flexible yet hardy precisely because it draws information from everyone in a "bottom-up" flow. This means the rules are "smarter" because they reflect knowledge about highly specific, local realities. Inclusive decision making is more likely to be responsive and tailored to actual realities. The effectiveness of collective decision making in a commons is not really surprising. Rules informed by popular participation are more likely to have moral authority because everyone affected by the rules has had a say in formulating them.

Bollier went on to promote collective participation and decision making as behaviors that lead to a high capacity to adapt and sustain collective effort because they provide such rich feedback from such diverse sources. It is the responsibility of local nonprofits—if they are serious about representing and responding to constituent interests—to have governance mechanisms that can convene the individuals they are established to serve with other stakeholders, engage them in dialogue with the organization and one another, develop a collective dream of the future or vision of what can be accomplished, and develop strategies that will take the group from here to there. In doing this, the organization must help participants understand historical, social, and political issues that affect the situation. This helps each participant be a more active democratic agent. It allows for messages to move powerfully from the individual to the collective and from the local to the regional to the national consciousness.

If all of us in the nonprofit sector were to really take this seriously as our own unique role, if we were to claim it and fully exploit it, we might find a way to profoundly alter the current priorities of government, rehumanizing and lending a depth of agreed-upon values to what now passes as political discourse. Nonprofit boards in their styles of governing could provide a model for a more active and inclusive democracy. They could promote civic learning and they could be the avenues for the rich intelligence that flows from local to national engagement in public life. But we would need to look at our roles differently. We would need to see ourselves as facilitators not only of highly effective action within the realms of our own mission purviews but of a renewed and improved democracy at the national level. Perhaps it is time to take up as an entree a more energetic and purposeful discourse about the reform of nonprofit boards—one that might change how we think about the sector's role in democracy and its power and influence overall.

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Notes

1. For more information, see www.futuresearch.net.
2. Participants in the meeting cited other benefits of inclusive planning, including increases in "social capital—because it helps participants clarify their own position," "spirals the power of formerly low-power groups," "lets us get a more layered analysis," and "creates a pressure cooker of creativity."

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Reframing Governance II

by David O. Renz, PhD

Are boards irrelevant? While many in the nonprofit world have been increasingly vocal in expressing concern that nonprofits are not developing different forms of governance, the form has changed on its own. Now that the larger and more substantive aspects of governance decisions have increasingly moved to realms outside of the organization, nonprofits must examine how to reorganize to be effective stewards in this new context and strategize about how they might better interact with networks to meet key community aspirations.

Editors' note: *This article, adapted from its print publication version in the winter 2006 issue of* NPQ, *was previously published on* NPQ*'s website.*

Many members of the nonprofit world have expressed concern that the sector has not developed new forms of governance. We have not, they complain, seen anything more than a minor variation on current designs and practices. For some time, I shared this perspective. But then I realized that this is not exactly true. We have created the "new nonprofit governance" at a new level within our communities. But we have not identified this shift because we're so focused on the artifact that we know as "the board."

It used to be that boards and governance were substantially the same: the two concepts overlapped. But with time and a radically changing environment (i.e., changes in the complexity, pace, scale, and nature of community problems and needs), the domain of "governance" has moved beyond the domain of "the board." Governance and boards have greatly diverged in many of the settings where we address our most complex and demanding community needs. But in these complex environments, boards of individual organizations serve the functions of governance less and less well.

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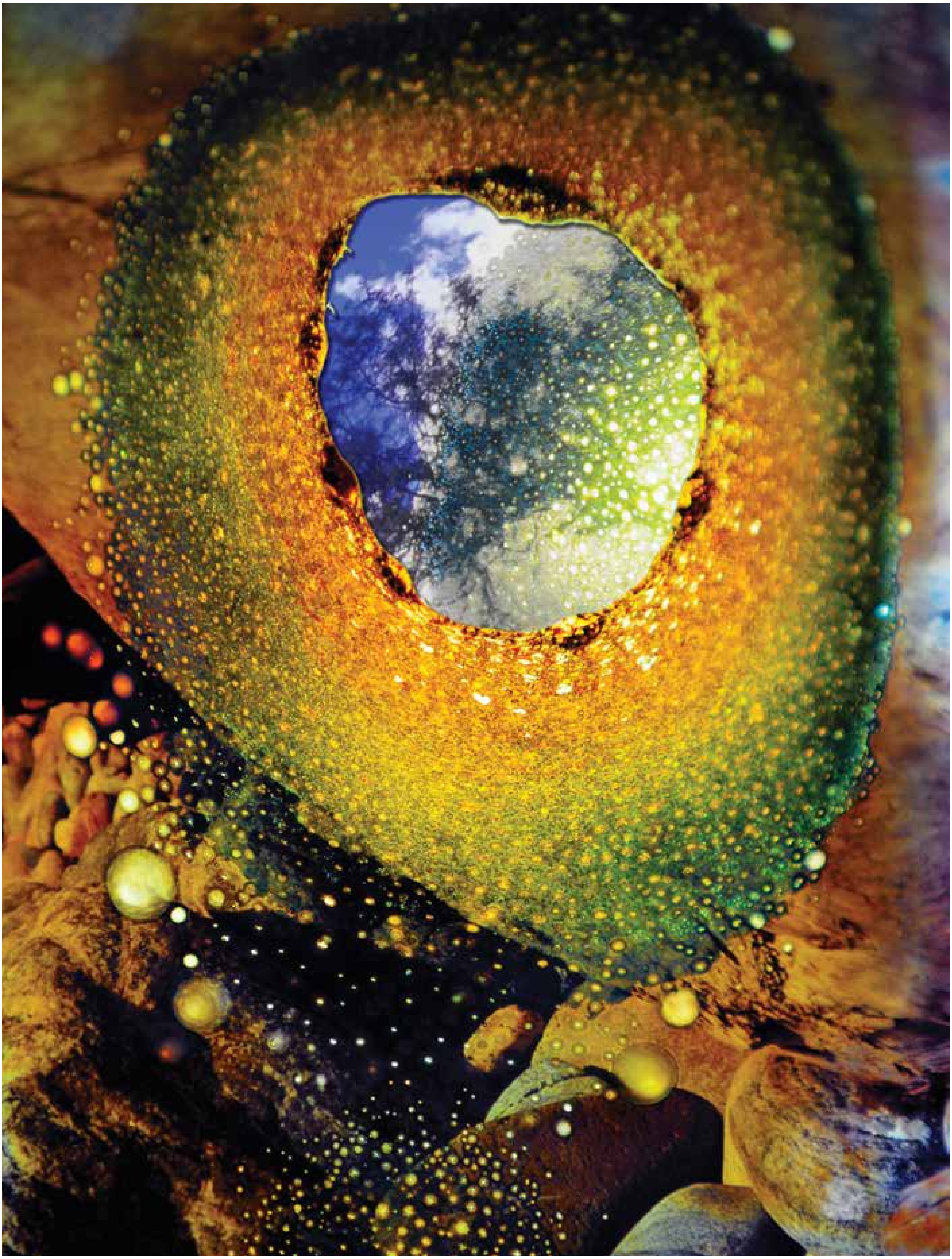

PHOTOGRAPH: "EYEWITNESS"

Governance is not about organization; it's an essential function in addressing a particular issue or need in our community.

In these environs, governance truly is leadership. And in this new generation of governance, which has most actively evolved in segments of the nonprofit sector where agencies strive to address these challenges, nonprofit boards are merely one element and no longer the primary "home" of the governance processes by which we address our most critical community issues.

The scale of these problems has outgrown the capacity of our existing freestanding organizations to respond—sometimes in terms of size, but especially, and more important, in terms of complexity and dynamism. Therefore, we've organized or developed our response at yet another level: the interorganizational alliance.

In the new mode, the organization may well be the unit from which services are delivered, but such service delivery is designed, organized, resourced, and coordinated (in other words, governed) by the overarching network of relationships (among organizational leaders) that crosses and links all participating organizations and entities. Similar dynamics have emerged in some parts of the nonprofit policy and advocacy domain, where different organizations' actions are orchestrated by a coordinated governance process that operates largely beyond the scope of any particular board, even as it deploys lobbying resources from various individual organizations.

The New Nonprofit Governance Model

Governance is a function, and a board is a structure—and, as it turns out, a decreasingly central structure in the issue of new or alternative forms of governance. Don't get me wrong—boards are still important in nonprofit governance. But, for many key community problems and issues, they're not always appropriate as the unit of focus.

Governance processes—processes of decision making concerning action based on and grounded in a shared sense of mission, vision, and purpose—include the functions of setting strategic direction and priorities; developing and allocating resources; adopting and applying rules of inter-unit engagement and relationships; and implementing an ongoing system of quality assurance that applies to all constituent organizations.

In many key areas, these processes have moved above and beyond any individual nonprofit organization. If organizations do not work as an integral part of this larger whole, they don't get to join or stay in the game.

Why don't we see these developments, even when we're looking directly at them? Because we're still prisoners of the hierarchical, control-oriented paradigm of conventional organizing—we continue to look for a central leader, whether a person or a unit.

But the new governance does not look like anything we expect (even though we talk about these issues quite often). Consider these changes:

- No individual or entity is always in charge (though some certainly have more influence than others). In fact, allowing any one entity to regularly be in charge is often resisted.
- The structure continually evolves and changes (though its general characteristics remain consistent).
- We have been "trained" to focus our attention on boards rather than on governance.

Governance is not about organization; it's an essential function in addressing a particular issue or need in our community. For so long, individual organizations have been the appropriate unit to address problems, and we assumed that it would always be this way. But now, single organizations can no longer appropriately match the scale for the most critical and substantive community issues and problems. It has become increasingly necessary to develop alliances and coalitions—extraorganizational entities—to address the multifaceted complexity of these critical needs and issues. And the most successful systems we've developed to govern these alliances reflect the same scale and complexity as the alliances themselves.

These systems of leadership mirror the design of social movements, with the fluidity and responsiveness that characterize the most effective of these movements. As anthropologist Luther Gerlach describes them, emerging systems of governance have the following characteristics:[1]

- **Segmentary:** they comprise multiple groups and organizations, each of which is only one segment of the whole that works to address the issue at hand;

- **Polycentric:** they have multiple centers of activity and influence to advance progress in addressing the cause of the whole, though each does its own work;
- **Networked:** the multiple centers of activity are linked via a web of strategic relationships, and an important source of the organizational power of this web comes from the informal relationships that exist among those in leadership roles in the various centers of activity; and
- **Integrated:** these networks are connected by a core but evolving ideology that crosses organizational (and even sectoral) boundaries as those who work to address the full range and complexity of an issue go wherever necessary to engage in their work.

In some cases, integration comes from those who hold a formal position in one organization (e.g., a staff position in a government agency) but who also serve in other organizations (e.g., a board member in a nonprofit agency or a leader in a relevant professional association). All these organizations play certain roles in addressing the particular issue or problem, and no single entity has the authority to direct these efforts (e.g., individuals working in AIDS prevention units or health agencies but who are also active in advocacy organizations for HIV and AIDS prevention).

New Models of Authority, Accountability

Generative leadership and strategy are handled at the metaorganizational level; conversely, individual organizations (or cells of operation) handle the front-line action or delivery of services (i.e., operations). This structure is consistent with and fuels the accomplishment of an interorganizational entity's mission, vision, long-term goals, and strategies (all of which are the domain of governance). For these areas of community action, it is no longer about the "networked organization"; it is about the "network as organization." These systems of organized (but not hierarchical) influence and engagement link multiple constituent entities to work on matters of overarching importance and concern. In this environment, the boards of individual organizations are guided by and often become accountable to the larger governance system. The frame of reference is larger than the constituent organization.

If you're in one of these new systems of governance, your board has less strategic room to move. You're dancing to the tune of a piper (or, more likely, multiple pipers) beyond your organization's boundaries. In other words, the governance of your work has moved beyond your organization's boundaries (and your organization no longer has its former level of sovereignty).

Does this mean that boards of individual agencies are no longer relevant? No, not any more than any one program in a multiservice human-service agency is automatically irrelevant because it is part of the larger whole. The board is necessary, and, at its level, it offers critical value. But it's not the only level of governance that exists—nor is it the overarching and highly autonomous entity that historically had the luxury of being in charge. It's just not the only level anymore.

At their best, such governance systems demonstrate the ideal characteristics of an effective governance entity. They demonstrate resilience, responsiveness, fluidity, and an organic connectedness to the community and its changing needs. They exhibit processes of mutual influence and decision making that are more fluid but no less real than those in conventional hierarchical organizations. So what has changed alongside this new governance?

Governance must be understood from the perspective of the theory and research on interorganizational relations and, especially, the work to explain the dynamics of networks and organizations as integral but not autonomous units within networks.

What was once understood as boundary spanning has become boundary blurring (it's increasingly hard to tell where one organization's work ends and another's begins).

Individual organizations are fundamental cells of activity and accomplishment, but their individual behavior and results are not adequate to explain what has been accomplished at the community-problem level.

Fueling and enabling the emergence of this new governance is the growth in so-called strategic alliances—and in the number of organizations whose capacity has evolved to engage in collaborative

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alliances, with the mutual investment and shared control of resources, and sharing of risk.

All the above dynamics pose greater challenges for accountability. Appropriate accountability must focus on the community level (not on an individual organization); accountability systems must include but cannot be limited to the constituent organizations and their internal management and decision-making structures.

One of the challenges of this emerging form of governance is that it moves the locus of control beyond any one organization. For better or worse, no single entity is in charge, and any agency that thinks it can call the shots will find its power over others muted.

New Challenges

This evolution in governance makes sense from an organizational theory perspective. Organizational theory asserts that an effective organization's design will align with and reflect the key characteristics of its operating environment. Thus, if an organization's operating environment (including the problems it must address) is increasingly dynamic, fluid, and complex, the appropriate organizational response is a design that is dynamic, fluid, and complex.

These new levels of organizing (for which the "new governance" is emerging) have all the elements of an "organization," but they can be confusing. Their elements just don't look like our conventional organizational elements. Their operating imperative demands that they differ, so the successful model of organization and governance needs to be different as well.

This networked dynamic also reflects an increasingly democratic mode of organizing—at its best, it ties the action (whether provision of services or community mobilization) more closely than ever to the community to be served (and that community often has members actively engaged in the governance processes in play).

Further, this dynamic does not pay as much attention to sector boundaries as it does to the capacity to do the work. Thus, the organizations in the networks addressing complex community problems are likely to include governmental organizations and even for-profit businesses, in addition to nonprofits. The mix of organizations depends on the assets they bring, where assets are defined by the nature of the problem and the needs to be addressed.

One of the challenges of this emerging form of governance is that it moves the locus of control beyond any one organization. For better or worse, no single entity is in charge, and any agency that thinks it can call the shots will find its power over others muted. Interestingly, this includes governmental entities that may still act like they are in charge. The fact that an agency has a legal or statutory mandate to address a problem does not give it any real control over the messy problems that these governance systems have emerged to address. No urban redevelopment agency, for example, has ever had the capacity to resolve its urban community's problems without bringing other entities into the game, and, increasingly, other entities have demanded a substantive role in the decision-making process. Part of the power of this new governance is that it can better accommodate and engage this shared-power dynamic.

Some individual organizations' boards have begun to take on this model. But these boards and organizations work at the network level, such as membership organizations comprising all the service providers in a given domain of service (e.g., the coalition of all emergency service providers in a given metro region). These entities have been created to bridge and cross boundaries, and boards have the explicit charge of providing leadership across agency and sector boundaries to address specific community issues. Most nonprofit boards don't look like this because they have not seen the need. But as a result of this new mode of governance, even individual agency boards now need to rethink how they should be designed and consider how they will do their work as a part of (rather than trying to actually be) the new governance design.

Where might you find this new level of governance? When you look for it, using this new perspective, you'll actually find it in operation in many domains of nonprofit work. In many metropolitan regions, for example, we find networks of organizations that have joined to address the changing challenges of HIV and AIDS. They have their own boards, but they also have a regional planning and funding structure that overarches individual structures.

This overarching structure sets priorities and coordinates the work of individual agencies, including providing the venue and organizing the processes for making regional-wide decisions about fundraising, marketing, and programming. In these cases, each of the key participating agencies' boards sends representatives to sit on the overarching entity's board (often these representatives are a mix of board members and chief executives). But the overarching entity's board includes members outside these operating agencies, such as members of the community at large (e.g., local-issue activists) who have equal standing with agency representatives.

We see similar dynamics in many other areas of political and programmatic action: in urban redevelopment, in neighborhood revitalization, and in emergency services. In all these areas, overarching governance systems make strategic, community-level decisions that form the basis from which individual agencies develop and implement their own plans and operations.

New Leadership and Accountability Models

This new mode of governance has significant implications for the next generation of nonprofit board work. It requires different kinds of knowledge, skills, and abilities. This is the work of leadership, not management. So it is essential for its participants to be proficient in a different kind of leadership, particularly in the capacity to network, to build multifaceted relationships across boundaries and among diverse groups of people, and to effectively exercise influence in the absence of authority. (In his book *On Leadership*, John Gardner aptly described this as "exercising nonjurisdictional power."[2]) The ability to perceive a new level of operation is unique, requiring a multilevel systems perspective and a different, often unfamiliar "mental model."

The new governance poses unique challenges for accountability, as well. As difficult as it can be to hold a typical nonprofit board accountable for its organization's performance and impact, it is more difficult to implement systems of accountability at the new level. And it is especially challenging for external structures to hold these systems accountable: to create externally enforced Sarbanes-Oxley types of accountability.

The more diffuse and fluid nature of these designs makes them inherently hard to control (which is why influence is so important). In reality, the locus of accountability for this new level of governance must exist "above" the individual nonprofit—at the community level—yet many philanthropic and governmental funders and regulators are likely to hold individual nonprofit agencies accountable for such community-level performance and impact. They will continue to focus on individual agencies because establishing systems of accountability at the new level will be difficult. And they will often be frustrated in their attempts to do so, because there is too little control at the individual agency level. This challenge becomes especially interesting in light of federal and state legislative discussions about nonprofit accountability and regulation, all of which treat the nonprofit organization as the primary unit of control.

This is an interesting time in the development of nonprofit governance and our understanding of the work of nonprofit boards. We bemoan the absence of anything innovative or cutting edge, but we have already developed a new generation of nonprofit governance—one that is more effectively aligned with and responsive to the needs of the organizations that come together to address the most dynamic and complex needs and challenges confronting our communities. Indeed, this new generation of governance inherently involves a changing mode of community leadership as society moves from hierarchy to networks as the prevailing mode of organizing to meet the demands of a new time. As we keep musing, "Do we need boards?" and "Isn't there a better way?" we're missing the real point: the emergence of the next generation of nonprofit and public-service governance.

This new mode of governance has significant implications for the next generation of nonprofit board work. It requires different kinds of knowledge, skills, and abilities. This is the work of leadership, not management.

Notes

1. Luther Gerlach, "The Structure of Social Movements: Environmental Activism and Its Opponents," in *Waves of Protest*, eds. Jo Freeman and Victoria Johnson (Lanham, Mass.: Rowman and Littlefield, 1999).

2. John Gardner, *On Leadership* (New York: Free Press/Simon & Schuster Inc., 1993).

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The Road Less Traveled:

Establishing the Link between Nonprofit Governance and Democracy

by Chao Guo, PhD

Guo focuses on two research traditions that illuminate the relationship between governance and democracy, in the hope of shedding some new light into understanding the democratic deficit within the sector and its possible remedy. Because, as Guo concludes, "if the sector as a whole does not recognize that there is a tremendous unrealized potential for nonprofit governance to contribute to democracy, it could cost the sector quite dearly over time.

In recent years, there has been a renewed interest among scholars and practitioners alike in the governance of nonprofit organizations. An increasing number of studies address such topics as the formal roles and responsibilities of nonprofit boards; aspects of board composition, such as size, race/ethnicity, gender, and demography; the board-staff relationship; board effectiveness; board evolution and group dynamics; board recruitment, assessment, and renewal; and the relationship between board and organizational performance. But one of the most interesting questions has received almost no research at all: the link between nonprofit governance and democracy.

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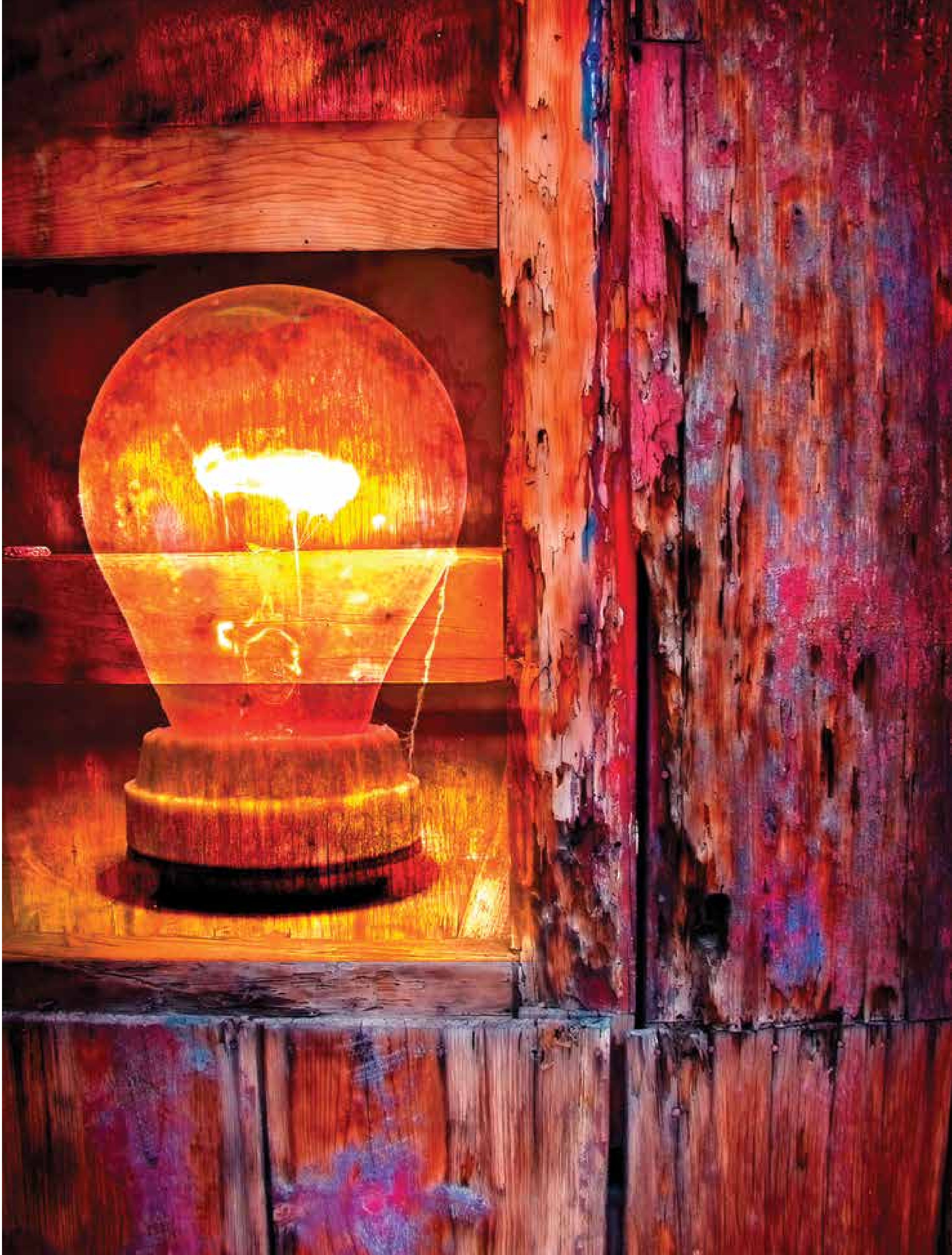
This failure to establish the link between the governance of nonprofit organizations and the interests of the broader public is a disconnect that is reflected in both the theory and the practice of nonprofit governance. Where theory is concerned, research on nonprofit governance is strongly influenced by research on corporate governance and dominated by such theoretical approaches as agency theory and resource dependency theory. Relatively little attention has been paid to democratic and critical approaches that look into the embedded power dynamics that influence who is allowed access to organizational decision making: whose voices get heard and whose get left out. Where practice is concerned, we see a "democratic deficit" in board governance—that is, an absence of democratic structures and processes.[1] Many nonprofit boards fall short of being broadly representative of the public. They tend to be limited to upper-income, professional employers



PHOTOGRAPH: “BRIGHT IDEA”

and managerial persons, while the community has little or no representation. In addition, while some nonprofit boards do little beyond rubber-stamping the actions of their executive staff, others are prey to the "iron law of oligarchy," where decision-making power is concentrated in a small number of non-elected board members and the executive director.

If nonprofit boards fail to include representatives of their constituents and the larger community in their governance structure and processes, then to what extent do they have the capacity to govern effectively on behalf of their constituents and the larger community?

The democratic deficit in nonprofit governance poses important challenges for nonprofit leaders. If nonprofit boards fail to include representatives of their constituents and the larger community in their governance structure and processes, then to what extent do they have the capacity to govern effectively on behalf of their constituents and the larger community? How can an organization contribute to a democratic society if there is a democratic deficit in its own governance?

Democratic Approaches to Nonprofit Governance: Representation and Participation

The roots of democratic perspectives on nonprofit governance can be traced back to Alexis de Tocqueville, who studied Jacksonian America in the nineteenth century and highlighted the important role of voluntary associations in the functioning of American democracy. He perceived the contribution of voluntary associations to American democracy at two levels. At the organizational level, he felt that associations served as schools for democracy, where people develop civic virtues and learn citizenship skills; at the institutional level, he saw associations as representatives of citizen interests, and as counterbalances to state and corporate power. Following this tradition, two schools of thought have influenced the development of a democratic perspective on nonprofit governance: the *representational approach* and the *participatory approach*.

The representational approach. Jeffrey Berry, a leading advocate for this approach, makes the forceful statement, "Governance questions are questions about representation."[2] Scholars in this line of work are concerned with how well the views of constituents and the larger community are represented within an organization. Most of the existing studies have used Hanna Pitkin's conceptualization of representation as a general analytical framework.[3] Pitkin defines representation as a multidimensional concept and identifies four important dimensions: *formal representation* (how organizational leaders are selected by constituents); *descriptive representation* (how organizational leaders mirror the politically relevant characteristics of constituents); *substantive representation* (how organizations act in the interest of constituents, and in a manner responsive to them); and *symbolic representation* (how an organization becomes trusted by constituents as a legitimate representative). The *formal* and *descriptive* dimensions of representation in Pitkin's model in particular serve to ensure that certain representative mechanisms are available in their governance structures to retain such equality and control of decision making by their constituents and the larger community.[4]

Formal representation in board governance is especially prevalent among nonprofit membership organizations, such as cooperatives and mutual associations, though it is often absent among charitable nonprofits. Formal representation rests upon elections and other formal arrangements, such as recall of officials or term limits. Cooperatives and other membership associations commonly use the "one member, one vote" method of leadership election. Yet for many organizations, formal representation is basically limited to the act of voting: members are allowed to vote for leadership-position candidates, but they are usually not allowed to nominate the candidates. Leadership elections also tend to be characterized by low turnout rates and lack of democracy.

Descriptive representation offers one possible, albeit indirect, mechanism for receiving constituent input. Research suggests a link between the efficacy of the external representational function of nonprofit organizations and the extent to which board composition reflects the actual populations of their constituents and the larger community (i.e., descriptive representation). However, descriptive representation needs to be understood in conjunction with power relationships: a board may be characterized by having a strong community representation in terms of board composition, but this descriptive representation is reduced to tokenism and patronization if the board is a weak one that is dominated by the chief executive.

Within nonprofit governance studies, the representational school of thought regards governance questions as being about what governance structure and processes are in place to ensure that the views of constituents and the larger community are well represented within the organization. Accordingly, the board of directors is designed to embody and represent community interests, and it functions to "resolve or choose between the interests of different groups, and to set the overall policy of the organization."[5]

The participatory approach. This approach begins where the representational approach leaves off, and is best illustrated by the following quote: "It is the responsibility of local nonprofits . . . to have governance mechanisms that can convene the individuals they are established to serve with other stakeholders, engage them in dialogue with the organization and one another, develop a collective dream of the future or vision of what can be accomplished, and develop strategies that will take the group from here to there."[6] Participatory mechanisms may fall along a continuum with respect to the degree in which constituents and the community have real power—ranging from nonparticipation (e.g., constituents are placed on rubber-stamp advisory committees or advisory boards) and tokenism (e.g., attitude surveys, neighborhood meetings, and public hearings) to higher levels of community power (e.g., partnerships) and delegated power (e.g., constituents share planning and decision-making responsibilities). Through various participatory governance mechanisms, constituents get involved in an ongoing public dialogue within the organization through which important matters can be communicated and deliberated, and thus have stronger control over the direction of the organization.

Participatory Representation: Convergence of the Two Approaches

The participatory approach and the representational approach are inherently connected. First, full constituent participation is not feasible in most nonprofits due to the limited capacity of any governance structure and processes: only some constituent representatives can actually participate in organizational governance—above all, there are only a small number of seats available on a particular board. Second, constituent representation and constituent participation in governance might be mutually reinforcing, in that nonprofit boards might serve as a better training ground for citizen participation if the composition of the board were more truly representative of the community, or vice versa.

In view of the complementary relationship between the two, Juliet Musso and I extend Pitkin's conceptualization of representation by adding another dimension—*participatory representation*—which entails direct participatory relationships between organizational leaders and their constituents, and which focuses on

Constituent representation and constituent participation in governance might be mutually reinforcing, in that nonprofit boards might serve as a better training ground for citizen participation if the composition of the board were more truly representative of the community, or vice versa.

Wider constituent participation in nonprofit governance will not only help citizens develop civic skills and democratic values but also enhance the capacity of nonprofit organizations to work more effectively with their constituents and the larger community

maintaining a variety of channels of communication with constituents. Examples of participatory representation include such practices as communicating decisions to constituents, obtaining statistical information about constituents and the larger community, inviting constituent input through user forums and advisory and consultative groups, and engaging constituents in strategic planning and decision making.

Participatory representation provides a direct mechanism for getting input from constituents on important governance decisions. This mechanism is particularly important for charitable organizations, where formal representation (e.g., elections and recall of leaders) is often absent, and where descriptive representation offers only an indirect means of receiving constituent input. A direct and participatory relationship between leaders and constituents also provides opportunities not only for the organization to understand the general values and beliefs of constituents but also for constituents to ensure that the organization's activities and outcomes do not stray from their values. Furthermore, constituent participation might also complement and enhance descriptive representation. For instance, much evidence indicates that even when racially and ethnically diverse individuals are appointed to nonprofit boards, they are not necessarily included as full and equal board members. This suggests that, in order to achieve effective governance, it is far from enough for diverse board members to have a place at the board table: they "must [also] be welcomed, have their voices heard and opinions valued, and play leadership roles."[7] In other words, board diversity (descriptive representation) must go hand in hand with inclusiveness (participatory representation).

Concluding Remarks

The representational and participatory approaches to governance identify three lines of defense against the democratic deficit: formal representation, descriptive representation, and participatory representation. Taken together, they suggest that nonprofits should restructure their boards and their relationships with constituents, and that constituents should be empowered to participate more fully in organizational governance. Some nonprofit leaders might question the value of redressing the democratic deficit in the governance of those organizations whose primary mission is not policy advocacy. They might ask why it is necessary (or if it is even feasible) to establish democratic structures and processes in a service-oriented nonprofit. But democracy does not belong in just the political arena. Wider constituent participation in nonprofit governance will not only help citizens develop civic skills and democratic values but also enhance the capacity of nonprofit organizations to work more effectively with their constituents and the larger community.

This is an exciting time for civil society in that there seems to be renewed interest in public deliberation and collective action. At the same time—perhaps driving this renewed interest—information and communication technology has begun to unleash new possibilities for democratic governance. Social media are equipping organizations with the opportunity to instantly communicate with a broader range and new generation of constituents and engage them in joint action. Nonprofit governance is no longer limited to the boardroom; it is reaching out to people, partners, and communities like never before. In the dawn of a participatory revolution characterized by the power of the Internet and social media, an organization that fails to recognize and address the democratic deficit in its governance will be left behind. And, if the sector as a whole does not recognize that there is a tremendous unrealized potential for nonprofit governance to contribute to democracy, it could cost the sector quite dearly over time.

Notes

1. "A democratic deficit occurs when ostensibly democratic organizations or institutions in fact fall short of fulfilling what are believed to be the principles of democracy." Sanford Levinson, "How the United States Constitution Contributes to the Democratic Deficit in America," *Drake Law Review* 55, no. 4 (2007): 859–60.

2. Jeffrey M. Berry, "An Agenda for Research on Interest Groups," in *Representing Interests and Interest Group Representation*, eds. William Crotty, Mildred

A. Schwartz, and John Clifford Green (Lanham, MD: University Press of America, 1994), 21–28.

3. Hannah F. Pitkin, *The Concept of Representation* (Berkeley and Los Angeles, CA: University of California Press, 1967).

4. According to Chao Guo and Juliet Musso—in "Representation in Nonprofit and Voluntary Organizations: A Conceptual Framework," published in *Nonprofit and Voluntary Sector Quarterly* 36, no. 2 (June 2007): 308–26, nvs.sagepub.com/content/36/2/308—the *substantive* and *symbolic* dimensions are the most direct measures of the democratic capacities of nonprofit organizations. The former provides tangible results in terms of agendas, policies, and activities, while the latter provides intangible value in terms of trust and legitimacy—they are "representational output" measures of the extent to which organizations "act for" and "stand for" constituents. The *formal* and *descriptive* dimensions are "representational input" measures—that is, they are different means of achieving substantive and symbolic representation.

5. Chris Cornforth, "The Governance of Cooperatives and Mutual Associations: A Paradox Perspective," *Annals of Public and Cooperative Economics* 75, no. 1 (March 2004): 11–32.

6. Ruth McCambridge, "Underestimating the Power of Nonprofit Governance," *Nonprofit and Voluntary Sector Quarterly* 33, no. 2 (2004): 346–54, nvs.sagepub.com/content/33/2/346.

7. Barbara A. Metelsky, "Selection, Functions, Structure, and Procedures of the Nonprofit Board," in *Leadership in Nonprofit Organizations: A Reference Handbook*, ed. Kathryn A. Agard (Los Angeles: Sage Publications, Inc., 2010), 2: 491–502.

Further Reading

Chao Guo, Barbara A. Metelsky, and Patricia Bradshaw, "Out of the Shadows: Nonprofit Governance Research from Democratic and Critical Perspectives," in *New Perspectives on Nonprofit Governance*, eds. Chris Cornforth and William Brown (London: Routledge; forthcoming).

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Adding a *Few* ***More*** **Pieces** to the **Puzzle**:
Exploring the Practical Implications of Recent Research on Boards

What is it that enables boards to be strong and effective, and why are we still using outdated models in an effort to improve board performance? Here Renz discusses five streams of research that can be put to practical use in your organization: board variation, capacity, effectiveness, design and roles, and the governance of real consequence that happens outside of boards at a more macro level.

by David O. Renz, PhD

Editors' note: *This article was first published in* NPQ*'s spring 2011 edition.*

The challenge of leading nonprofit organizations in today's tumultuous and complex environment encourages both nonprofit leaders and researchers to pay more attention to studying nonprofit boards and what enables them to be strong and effective. Perhaps more than ever, nonprofit organizations and their leaders are dedicated to developing highly effective ways to govern and lead, and to enhance their performance, competitiveness, and strategic advantage.

Unfortunately, even as we develop increasingly important insights into the changing nature of boards and their work, far too many in the sector continue to base their understanding of board work on anecdote, conventional wisdom, and stories from the past. Of course, in these challenging times this shouldn't be too surprising. Given the pressures of trying to keep their agencies afloat and find enough time to meet too many demands in too little time, most nonprofit leaders simply don't have the energy to sort out the practical implications and value of even the best research. In the spirit of help, this article offers an overview of some of the most useful recent research on nonprofit boards and governance, and suggests some of the practical insights the research has to offer.

The volume of published work on boards and governance continues to grow rapidly. Our review of recent research indicates that, compared with ten years ago, nearly three times as many board research articles have been published. Clearly, this is a significant market niche. But if we look at the research, what does it tell us? At first glance, it seems that academics and researchers report what we've known for quite some time: the world of nonprofit boards and governance is messier and more complex than ever. But embedded in this work are important elements of practical clarity for those who care to take notice.

As we continue to follow the growing body of nonprofit board research, we find particular value in five general streams of inquiry: (1) variation across the world of nonprofit boards; (2)

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PHOTOGRAPH: "LISBOA TIME WARP"

important elements of board capacity; (3) assessment and understanding of board effectiveness; (4) understanding board design and roles; and (5) governance across organizational and other boundaries.

Each stream adds a little more to our understanding of the complicated and dynamic world of nonprofit boards.

For all that has been written over the past two decades on the subject, almost none of it reflects complete or systematic research toward understanding the universe of nonprofit boards.

Understanding Variation in the World of Boards

For all that has been written over the past two decades on the subject, almost none of it reflects complete or systematic research toward understanding the universe of nonprofit boards, how they are organized, and how they work. In a recent sector-wide study of more than 5,000 U.S. nonprofit charity boards, Francie Ostrower and colleagues have begun to rectify this shortcoming.[1] The study is the first ever to secure a truly representative sample of American nonprofit charities, and relies on executive directors as its source of information. So it reflects only one perspective on boards, yet offers valuable insight (and confirms some fears as well).

Ostrower's report presents useful statistics on boards and who serves on them. Not surprisingly, fully half of all nonprofit charity boards have only white (non-Latino) members. And while the average board is about 46 percent female, only 29 percent of very large nonprofits (with annual budgets of over $40 million) have any women on their boards at all. Furthermore, these boards are quite middle-aged: a full 78 percent of their members are between the ages of thirty-six and sixty-five. Astonishingly, *only 7 percent of all charity board members in America are younger than thirty-six*.

The Ostrower study also offers some important insight into the relationship between who sits on a board, how he or she came to be selected, and how well the board performs its key tasks (such as financial oversight, policy setting, community relations, influencing public policy, CEO oversight, fundraising, and monitoring board performance). Almost all boards report trouble recruiting well-qualified members: 70 percent say that it is difficult to find qualified board members, and 20 percent say that it is very difficult. Interestingly, Ostrower reports that there is no evidence to suggest that compensating board members helps agencies to attract more effective members (only roughly 2 percent of these nonprofits compensate their board members).

Furthermore, recruiting from among board members' friends and acquaintances—the most common approach—turns out to be counterproductive. Boards that rely on friend or acquaintance recruitment show lower levels of effectiveness on all aspects of board work other than fundraising. The study also surfaces an interesting finding about the link between chief executive board membership and board performance: chief executives serve as members of the board for roughly 21 percent of the agencies in the survey, yet boards that include the chief executive as a voting member generally perform less well in the areas of financial oversight, policy setting, community relations, and influencing public policy. In fact, no board activities are positively associated with having the chief executive as a board member.

The study offers many more insights than the few I share here, and I encourage all who are interested in boards and board effectiveness to review the reports that Ostrower and others have prepared (see references at the end of this article for relevant sites). I have to flag an additional insight from the study, however, that involves the impact of board size: Ostrower finds no relationship between the size of a board and the level of its members' engagement; nor does she find any link between the board's size and its performance. Apparently, board size does not matter.

Subsequent to the release of her initial reports, Ostrower had the opportunity to home in on the characteristics of what she labels "midsize" nonprofit organizations.[2] The organizations that fall into this group have annual budgets within the range of $500,000 to $5 million. One could argue that this range is so large as to include too diverse a group of nonprofits (there are significant differences between the half-million dollar nonprofits and the multi-million dollar nonprofits, for example), yet this newer research begins to offer additional insight into how board practices and characteristics vary according to organizational size.

Elements of Board Capacity

Three recent studies provide insight into the value of developing board capacity. Truth be told, the insights are not startling; but still, they raise some troubling questions about why we do not put into effect what we already know about ways to develop boards.

Bradley Wright and Judith Millesen examine the degree to which board members understand their roles and the expectations for their performance as members.[3] Their study surveyed both board members and chief executives, providing a nice mix of sources. It should not be surprising to learn that ambiguity about roles has an adverse effect on board-member engagement—multiple studies on volunteer performance and turnover have told us this for years. But what Wright and Millesen tell us about what we really do is troubling. Most board members report that they learned their roles "on the job"—while actually serving on the board—as opposed to having been provided the relevant information prior to starting their board service. Both chief executives and board members agree that boards do very little for members in the way of orientation, training, or ongoing feedback. And boards disagree about how well board members do their work. About two-thirds of all board members report that they understand the expectations and their roles well, yet only roughly 40 percent of chief executives are confident that their board members understand their roles. At the same time, chief executives tend to agree that they are not providing their board members with the orientation, training, feedback, or other ongoing board-performance information—*even though we know these efforts make a difference*

How do we know they make a difference? In 2007, Texas A&M University researcher William Brown studied board-development practices and linked them to assessments of board member competence and performance in credit unions.[4] The results have raised the spirits of consultants and board trainers everywhere. Brown examined the link between effective recruitment practices, orientation practices, and board and member job performance. He found that effective recruitment and orientation contribute to board member competence, and that board member competence is highly related to overall board performance. Interestingly, board orientation is also directly related to positive board performance overall, not just the competence of its members.

One final aspect of this study raises an important question: How is it that while Brown found a clear connection between the use of effective recruitment and orientation practices and overall board member competence, these practices explain only about one-third of the members' level of competence? Clearly, as we continue our research, there is more to learn.

A nice study done in 2006 by Sue Inglis and Shirley Cleve examines a different dimension of board capacity: the motivations that lead people to serve on nonprofit boards.[5] The article offers a complete review of the research on this field, and it does an excellent job of building on that work to help us better understand the needs and interests of those we want to attract to our boards. Inglis and Cleve found that board members' motivations to serve could be grouped into six general categories:

- Enhancement of self-worth;
- Learning through community;
- Helping community;
- Developing individual relationships;
- Unique contributions to the board; and
- Self-healing.

Given how difficult many nonprofits say it is to recruit good members to their boards, it makes sense for a board to consider these motivations in its recruitment and retention plans.

One of the most important and interesting new themes of board research focuses on the unique role of the board chair and the implications of board-chair effectiveness. Yvonne Harrison and Vic Murray began this work in the mid-2000s and have since published the initial results in multiple publications, including the summer 2007 issue of *NPQ*, which was one of the first to print the

It should not be surprising to learn that ambiguity about roles has an adverse effect on board-member engagement.

Several research studies of the past decade affirm that there is a strong positive relationship between board effectiveness and the effectiveness of nonprofit organizations.

results.[6] (Readers are encouraged to review that article for the work's key themes and insights.) It is not surprising to learn that the board-chair role has a significant impact on boards and their performance (this may be another case in which the typical nonprofit executive delivers a resounding "Duh!" to the research world), yet the value of Harrison and Murray's work lies in its more complete and systematic explanation of how this pivotal role uniquely influences board effectiveness.

Assessing and Understanding Board Effectiveness

Given the widespread recognition that board performance is closely related to the effectiveness of nonprofit organizations, many in both the research and practice worlds have been examining the question of how best to assess board effectiveness. A few of the older tools continue to be widely used (for example, the early board assessment developed by Larry Slesinger and the Board Self-Assessment Questionnaire developed by Douglas Jackson and Thomas Holland), but new tools are being developed.[7] Among the most recently published and empirically validated of board self-assessment tools is the Governance Self-Assessment Checklist (GSAC), which Mel Gill and colleagues created as a tool for in-depth assessment.[8] In addition, as part of the overall GSAC development process, Gill's team developed and validated a shorter tool, the Board Effectiveness Quick Check, which has also proven to be quite accurate in assessing board effectiveness. Several research studies of the past decade, including work that Robert Herman and I have implemented, affirm that there is a strong positive relationship between board effectiveness and the effectiveness of nonprofit organizations.[9]

An interesting by-product of the Gill team's research came from its effort to assess the comparative value of various board-development models. The team found that well-designed board-development initiatives can be valuable where improving board effectiveness is concerned, but there is *no specific board-development model or approach that is inherently better than any others for improving performance.* As long as the board-development initiative employs a well-conceived, systematic approach, it makes no difference which approach is taken.

This finding is consistent with that of researchers Patricia Nobbie and Jeffrey Brudney, who sought to compare the impact of using the "policy governance" approach to board development with other board-development approaches.[10] They, too, report that the use of a well-developed, systematic intervention of any type makes a difference in performance. They also found no evidence that one approach is likely to achieve better outcomes than another. Policy governance has attracted ardent support from a number of nonprofit consultants, executives, and board leaders. But—to date—there remains almost no empirical research about the effectiveness of the policy-governance model or the conditions under which it works more or less well.

The Work of the Board

Several recent board studies have begun to examine boards' work from a "contingency perspective." In the field of organization studies, it is widely accepted that successful organizations (in any sector) vary their design and structure to align with the conditions and challenges posed by their relevant external environment. Organizations seek an appropriate "fit," or alignment, that enables them to best address the demands and opportunities posed by these external conditions. In other words, their design is *contingent* on the characteristics of their external environment. Given that most consider boards to be integral to a nonprofit's relationship to the external world, it makes sense that organizational researchers want to understand how board design and roles might vary according to the nature of an organization's external conditions.

In 2010, Ostrower and Melissa Stone published one of two studies examining the relationship between external conditions (for example, funding source characteristics), internal characteristics (the size of an organization, for example, and whether it has a paid chief executive), and the roles that boards perform.[11] They found that boards of very large organizations (i.e., in terms of budget) were likely to be less involved in external roles (community relations, for example) and more involved in internal roles (for example, in financial oversight). They also reported a link between having a paid chief executive and board activity: Boards with paid CEOs tend to focus their attention on financial monitoring and CEO performance monitoring, and they tend to be less active in monitoring an agency's programs and services as well as in a board's own performance. For nonprofits that do not have paid chief executives, a larger share of the boards is actively involved in program monitoring, but even for these organizations, less than half (43 percent) engage in such monitoring. Perhaps not surprisingly, Ostrower and Stone found a strong correlation between higher levels of government funding and greater board activity in external relations (and also in the extent to which an organization uses monitoring practices such as those prescribed in the Sarbanes-Oxley Act legislation). They found that boards of agencies that are highly reliant on funding from earned income (fees) were more active in implementing internal monitoring roles.

Importantly, in 2007 board researcher Chao Guo examined in greater depth the impact of government funding on patterns of nonprofit governance.[12] This timely study highlighted the complexities of the nonprofit-government relationship. Government funding places additional demands on nonprofits and has significant implications for the work of the board. As more and more nonprofits perceive growth in government funding as a positive option, this study offers important perspective and caution.

In another contingency-oriented study, Brown and Guo examined the roles that community foundation boards play, and how these roles vary under different conditions.[13] The study relied on information from a survey of chief executives who were asked which board roles were most important to them. Brown and Guo then examined how these roles differed when related to environmental uncertainty, the degree to which the organization was complex (i.e., had many different programs), and the relationship with the chief executive. In order of importance, the key roles executives cited were fund development, strategy and planning, financial oversight, public relations, ensuring board vitality, and policy oversight.

As might be expected, the study found that the boards of small foundations working in complex environments tend to focus more on strategy, while boards of larger, diversified foundations tend to emphasize oversight roles. Interestingly, boards of foundations that have chief executives with long tenure focus less on oversight. Notable but perhaps not surprising, boards of agencies in limited-resource environments tend to be more actively engaged in resource development roles.

Bigger Than Boards: Governance Across Boundaries

One of the interesting new developments in research on nonprofit boards and governance is the emergence of several studies that examine unique kinds of governance, including those that cross organizational boundaries. These studies are designed to help us understand how multiple organizations and networks of organizations (including organizations from different sectors, such as government and nonprofit) are engaged together in governance processes that blur and cross organizational (and even sectoral) boundaries. Much remains to be learned about this new frontier of governance, and the possibilities for new forms of governance behavior are intriguing.

As communities work on complex and dynamic issues that cannot be addressed effectively by individual organizations, these phenomena take different forms in different settings. Some forms look like collaborations and alliances, some like layers of organizations that are "nested" within other larger and more extensive organizations, and some are networks of multiple organizations. For example, Canadian researcher Patricia Bradshaw has written about the emergence of systems of "nested governance" to describe the layers of governance activity that sometimes develop in federated and distributed organizations and networks.[14] Traditional models of governance are no longer resilient enough to be effective in these

Traditional models of governance are no longer resilient enough to be effective in these new, complicated environments.

There are board-member and board-development practices that have the potential to make a significant difference, but way too few of us are using them to help our boards grow and perform.

new, complicated environments, she asserts, and these new, "messier" forms of governance emerge to meet the needs of systems that are more politicized, complex, and conflict ridden.

Stone and colleagues have begun an important set of studies to examine the governance dynamics that emerge when sets of community organizations (nonprofits as well as local and state government organizations) come together to address a complex set of transportation challenges and needs. Governance becomes much more complicated and dynamic in such settings, and these cross-sector relationships require some very different forms of governance.[15] I have found similar results in my own analyses of governance processes in multi-organizational alliances and networks of service delivery (as I have reported in past issues of *NPQ*), and have found that the work of individual agency boards can change quite significantly in these situations. In fact, the entire governance process is very different (and can be confusing) for those who serve on boards of agencies that experience this "reframing," as their agencies work together to address more effectively the most dynamic and complex of community needs.[16]

This research niche is small but growing, largely because there is significant growth in the use of these more complicated forms of organization. Furthermore, as boundaries continue to blur between nonprofit and governmental activity, the range of questions about board work and the very meaning of governance will continue to grow.

So What Are We Learning?

Thus, we arrive at the fundamental question: What does any of this mean? I offer the following as a few of the insights I have drawn from the current generation of board research:

- It is both useful and important to draw a clear distinction between the function of governance and the work of boards. The work of governance is no longer necessarily synonymous with the boundaries of any individual nonprofit board, and even when it is, the alignment of the two constructs is not as simple as it once appeared to be.
- Board effectiveness makes a difference in organizational effectiveness, and boards can be developed to perform more effectively. Furthermore, board development does make a difference in both board and nonprofit performance.
- There are board-member and board-development practices that have the potential to make a significant difference, but way too few of us are using them to help our boards grow and perform. In particular, we have some work to do regarding practices for enhancing and capitalizing on the value of board diversity and strategies for true community engagement.
- Board work is changing, and there will continue to be changes in the operating environment of the nonprofit world. There are better and worse ways to organize, yet there is no single best model or form. Effective boards will invest time on a regular basis to reconsider what they do and how they do it.
- Environment matters to board design and practice, and the environment of government and its funding can make a critical difference. The boards of nonprofits that contract with government to deliver services are experiencing very significant stresses and challenges, some of which may threaten their capacity to govern the organization effectively.

As always, there's so much left to learn! Among other things, we'd still like to know more about (1) the effectiveness of various models of board design, including but not limited to the policy governance model; (2) the appropriate mix of value-adding board functions and roles as nonprofits become more enmeshed in extensive alliances, networks, and other collaborative ventures (i.e., the effects of these factors on governance); (3) whether, as many nonprofits seek to become increasingly entrepreneurial, there are governance-related differences relevant to governance in the work of boards of more- versus less-entrepreneurial nonprofits; and (4) alternative models and approaches to governance, and the strengths and weaknesses of each (i.e., which frameworks can best help us understand our options).

As nonprofit researchers and leaders continue to work closely together to share questions, challenges, and insights, the opportunities to develop the next generation of innovative and effective governance alternatives are better than ever. This is good news, because the stakes have grown ever larger as nonprofits continue to play a pivotal role in sustaining and building our communities.

Notes

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Financial Transactions with Your Board: *Who Is Looking?*

by Francie Ostrower, PhD

Organizations that have financial transactions with their board members walk a fine line where public accountability is concerned, but the practice turns out to be widespread. Excerpted from "Nonprofit Governance in the United States: Findings on Performance and Accountability," author Francie Ostrower explores the benefits and liabilities that arise when nonprofits purchase goods and services from board members.

Editors' note: *This article was first published in* NPQ*'s summer 2008 edition, and is largely excerpted from the Urban Institute's report* Nonprofit Governance in the United States: Findings on Performance and Accountability from the First National Representative Study.[1] *The full report is available at www.urban.org/url.cfm?ID=411479.*

In recent years, policy-makers, the media, and the public have increasingly focused on the accountability of nonprofit boards. Legislative reforms have been proposed, nonprofit associations have called on their members to review and strengthen nonprofit governance practices, and the Internal Revenue Service has released "Governance and Related Topics—501(c)(3) Organizations," which includes a series of good-governance recommendations.[2] Accordingly, nonprofits face pressure to become more accountable and transparent to their communities, their constituencies, and the public, which in turn has had a profound impact on nonprofits' internal discussion about appropriate board roles and policies.

It is critical that both proposed policy reforms and best-practice guidelines be informed by solid knowledge about how boards currently operate and which factors promote or hinder their performance. To help ensure the availability of such knowledge, in 2005 the Urban Institute conducted the first-ever national representative study of nonprofit governance. More than 5,100 nonprofit organizations of varied size, type, and location participated in the study, making it the largest sample studied to date. The survey covered an array of topics but focused on practices related to current policy proposals and debates. This focus is in keeping with one of the Urban Institute study's primary goals: to draw attention to the links between public policy and nonprofit governance.

In considering nonprofit governance, we have to ask not only whether nonprofit boards have mechanisms in place to avoid malfeasance but also whether they actively serve an organization's mission. These issues are clearly applicable to the controversial area of financial transactions between nonprofits and the members of their boards of directors, one of the topics covered in the Urban Institute's broader report.

Financial Transactions between Nonprofits and Board Members

Under the law, board members owe a nonprofit a duty of loyalty, which requires them to act in a nonprofit's best interest rather than in their own or in anyone else's. The IRS's "Governance and Related Topics" cautions that "in particular, the duty of loyalty requires a director to avoid conflicts of interest that are detrimental to the charity." Against this background, nonprofits' purchase of goods and services from board members or their companies

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PHOTOGRAPH: "PEEP SHOW"

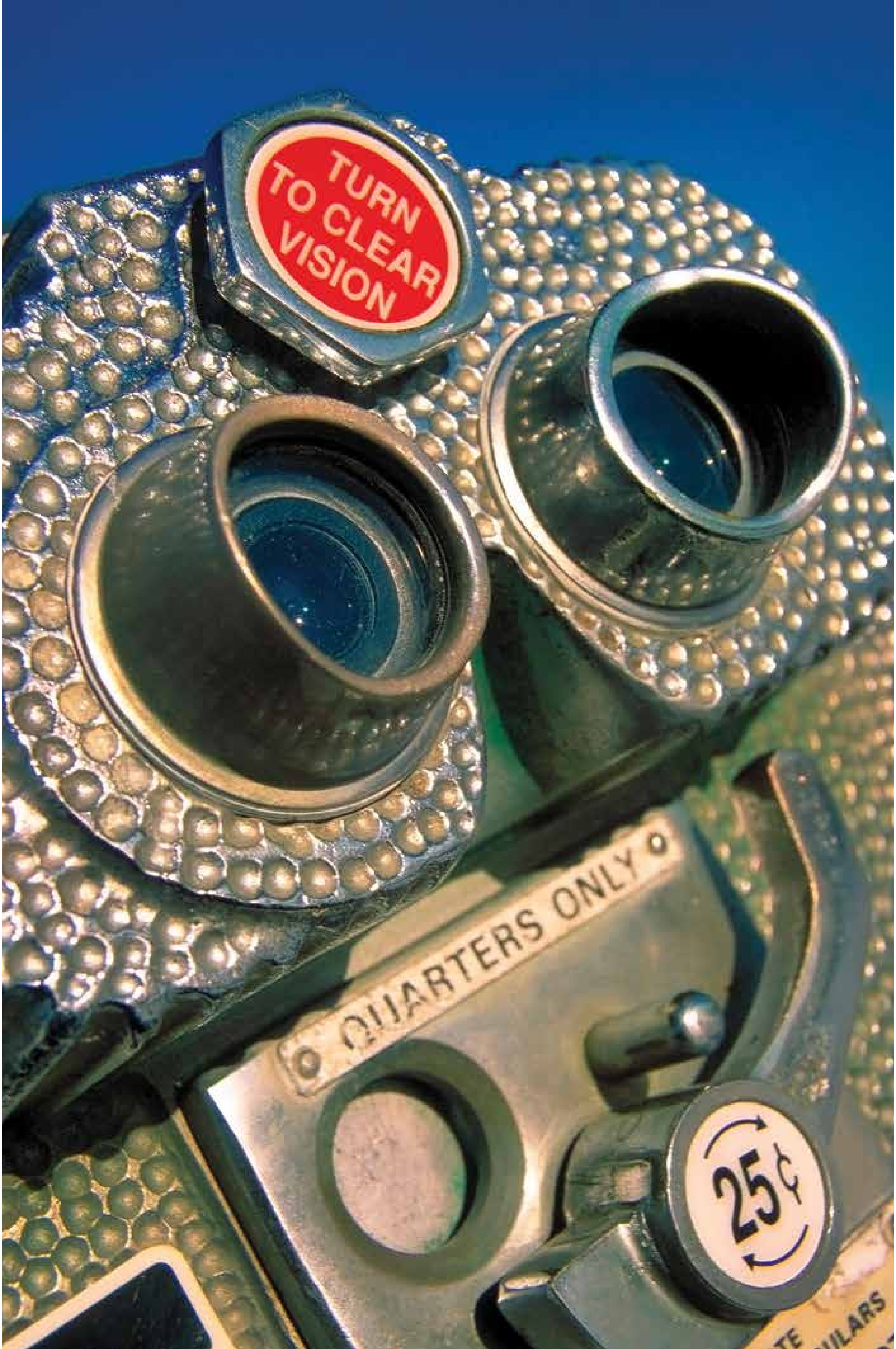
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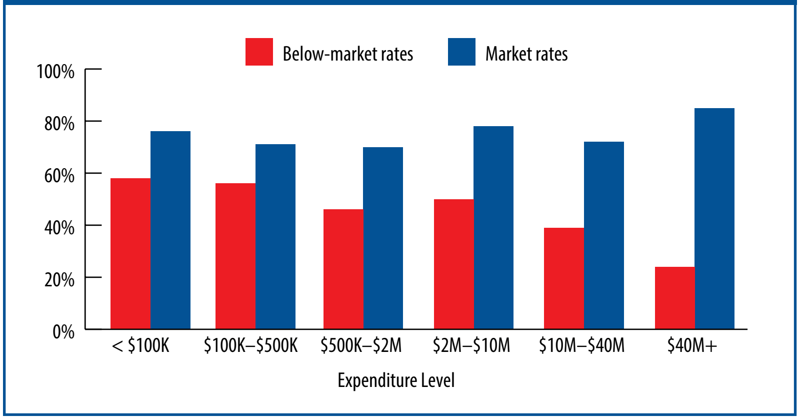
Figure 1
Percentage of Organizations Obtaining Goods or Services Below and at Market Rates from Board Members (Organizations involved in Financial Transactions Only)



SOURCE: 2005 Urban Institute *National Survey of Nonprofit Governance*

According to respondents' self-reports, financial transactions between organizations and board members are extensive, particularly among large nonprofits.

raises special concerns about whom such transactions really benefit. In a guide for board members, one state attorney general's office warns that "caution should be exercised in entering into any business relationship between the organization and a board member, and should be avoided entirely unless the board determines that the transaction is clearly in the charity's best interest."[3]

In 2004 a proposal to restrict nonprofits' ability to engage in these transactions was included in the Senate Finance Committee's draft white paper but met considerable opposition from some nonprofit representatives. The president and CEO of Independent Sector, for instance, warned that prohibiting economic transactions "could be extremely detrimental to a number of charities. . . . Public charities, particularly smaller charities, frequently receive from board members and other disqualified parties goods, services, or the use of property at substantially below market rates." The executive director of the National Council of Nonprofit Associations, which is composed primarily of smaller and midsize nonprofits, voiced a similar objection.[4] There has also been concern about the impact on nonprofits in rural and smaller communities, where a trustee's law firm or bank may be the only one in the area.[5]

But whether public charities should or shouldn't be allowed to engage in financial transactions with board members, there is agreement that such transactions should be transparent to boards and that policies should be in place to ensure that such transactions are in a nonprofit's best interest. The IRS's guidelines are emphatic on this point. They call on boards to "adopt and regularly evaluate a written conflict of interest policy" that, among other things, includes "written procedures for determining whether a relationship, financial interest, or business affiliation results in a conflict of interest" and specifies what is to be done when it does.[6] Further, the IRS has instituted a question on its Form 990 asking nonprofits whether they have a conflict-of-interest policy in place.

Results from the Urban Institute's survey shed light on (1) the scope of such transactions; (2) whether these transactions provide claimed benefits for nonprofits; and (3) how nonprofits' current practices measure up to conflict-of-interest standards from the IRS and others.

Frequency and Consequences of Financial Transactions

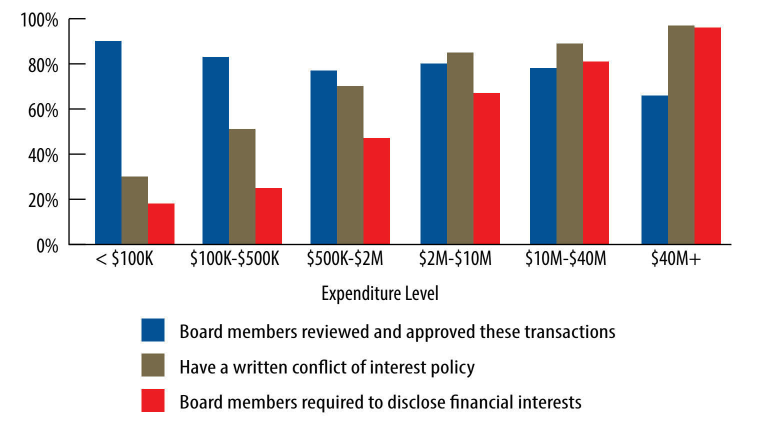
According to respondents' self-reports, financial transactions between organizations and board members are extensive, particularly among large nonprofits. Overall, 21 percent of nonprofits reported buying or renting goods, services, or property from a board member or affiliated company during the previous two years. Among nonprofits with more than $10 million in annual expenses, however, the figure climbs to more than 41 percent.[7] But also note that among nonprofits that say they did not engage in transactions with board members or affiliated companies, 75 percent also say they do not require board members to disclose their financial interests in entities doing business with the organization. In effect, respondents may be unaware of transactions that have taken place.

According to respondents, among the 21 percent of nonprofits that engaged in financial transactions with board members or related companies, most obtained goods at market value (74 percent), but a majority (51 percent) report that they obtained goods at below-market rate. Less than 2 percent reported paying above-market cost.[8] Keep in mind too that these are self-reports, so if anything, the figures are likely to underreport transactions resulting in obtaining goods at above-market value or at market value and to overreport transactions resulting in obtaining goods at below-market rate.

Among nonprofits that engaged in financial transactions with board members, small nonprofits were considerably more likely than large ones to obtain goods and services from board members at below-market cost: 58 percent of nonprofits with less than $100,000 in expenses obtained goods or services at below-market rate from a board member, but the percentage drops to a low of 24 percent among nonprofits with more than $40 million in expenses (see figure 1). In contrast, the percentage of nonprofits that received goods or services at market value was more than 70 percent for each size group.[9] The percentage reporting they obtained goods at above-market value was less than 3 percent for each size group.[10]

Figure 2

Policies of Organizations that Purchased or Rented Goods or Services from Board Members or Associated Companies



SOURCE: 2005 Urban Institute *National Survey of Nonprofit Governance*

The study also found no evidence that bans on financial transactions would disproportionately affect rural nonprofits. There was no significant difference between nonprofits inside and outside metropolitan statistical areas either in the percentage engaged in financial transactions or in the perception of how difficult it would be for them were such transactions prohibited.

Forty-five percent of nonprofits that engaged in business transactions with trustees said it would be at least somewhat difficult were they prohibited from purchasing or renting goods from board members, but only 17 percent said it would be very difficult. Percentage differences by size were not statistically significant. As one would expect, the comparable figures rise among those who obtained goods or services at below-market rate. Fifty percent said it would be at least somewhat difficult, and 19 percent said it would be very difficult.

Policies to Regulate Financial Transactions and Conflicts of Interest

Among all respondents, only half had a written conflict-of-interest policy, and only 29 percent required disclosure of financial interests. Among nonprofits that reported financial transactions with board members, 60 percent have a conflict-of-interest policy, and 42 percent require board members to disclose the financial interests they have in companies that do business with the nonprofit. As we can see, substantial percentages of nonprofits—including those engaged in financial transactions with board members—do not meet the standards laid out by the IRS and other good-governance guidelines. But the majority of nonprofits engaged in such transactions (82 percent) report that other board members had reviewed and approved the transactions beforehand.

Substantial percentages of nonprofits do not meet the standards laid out by the IRS and other good-governance guidelines.

Substantial variations among respondents do exist by size (see figure 2). Larger nonprofits are more likely to have a written conflict-of-interest policy. Among those engaged in financial transactions, almost all nonprofits with more than $40 million in expenses have a written conflict-of-interest policy (97 percent), but the figure decreases to only 30 percent among nonprofits with less than $100,000. Financial disclosure requirements also vary considerably by size. Among nonprofits engaged in financial transactions with board members or associated companies, the percentage that requires disclosure ranges from a low of 18 percent among the smallest nonprofits to a high of 96 percent of nonprofits with more than $40 million in annual expenses. Substantial minorities in the $2-million to $40-million size categories and majorities in all groups of less than $2 million do not require disclosure.

Although formal policies are more common among larger nonprofits, smaller nonprofits are more likely to report that other board members reviewed and approved transactions. Ninety percent of nonprofits with less than $100,000 had other board members review transactions beforehand, but the figure declines to 66 percent among those in the more-than-$40-million category. In the case of smaller nonprofits, one issue is that while board members may review transactions, they often lack written guidelines to inform their review. Among larger nonprofits that have formal policies, significant percentages of nonprofit boards do not review transactions beforehand to ensure that formal policies have been met.

Our findings show that many nonprofits are engaged in buying or renting goods and services from board members, which sometimes yields savings in terms of below-market rates—but more often, it does not.

Conclusions and Implications

Our findings demonstrate that substantial variations in boards exist among nonprofits of different types. Given that variation, those proposing policy initiatives and good-governance guidelines to strengthen nonprofits should assess the different impact on various types of nonprofits and weigh them carefully. So, for example, our research supports the argument that prohibiting financial transactions with board members would disproportionately hurt small nonprofits.

Our findings show that many nonprofits are engaged in buying or renting goods and services from board members, which sometimes yields savings in terms of below-market rates—but more often, it does not. Our findings do not tell us whether these practices are in the best interest of a nonprofit, but they strongly confirm that this is an important area in which appropriate policies and procedures need to be in place. Smaller nonprofits that engage in financial transactions need to have more formal mechanisms in place to regulate transactions, and larger organizations need to institute practices more frequently in which board members unrelated to these transactions review transactions for appropriateness. Furthermore, research is needed to examine the content of these policies and procedures and whether they are adequate to ensure that transactions do not undermine board members' duty to act in an organization's best interest and to help inform policy proposals and best-practice guidelines aimed to achieve that goal.

Notes

1. Francie Ostrower, *Nonprofit Governance in the United States: Findings on Performance and Accountability from the First National Representative Study* (Washington: DC: Urban Institute Center on Nonprofits and Philanthropy, June 25, 2007), www.urban.org/url.cfm?ID=411479.
2. Editors' note: The IRS originally released its recommendations in the draft paper "Good Governance Practices for 501(c)(3) Organizations" (www.irs.gov/charities/article/0,,id=178221,00.html), cited in the original Urban Institute report. The IRS has now replaced the paper on its website with "Governance and Related Topics—501(c)(3) Organizations." The new IRS paper offers many of the same governance recommendations (www.irs.gov/pub/irs-tege/governance_practices.pdf).
3. Web page of the New Mexico Attorney General (www.ago.state.nm.us/divs/cons/charities/nmboardguide.htm).
4. "Comments on Discussion Draft on Reforms to Oversight of Charitable Organizations" (www.independentsector.org/PDFs/roundtable.pdf). See also the statement submitted by Audrey R. Alvarado, executive director of the National Council of Nonprofit Associations, to the Senate Finance Committee, which cautions against the "undue hardship" for small and medium-size nonprofits, July 21, 2004 (www.senate.gov/~finance/Roundtable/Audrey_A.pdf).
5. See, for example, Marion R. Fremont-Smith's comments to the Senate Finance Committee, July 13, 2004 (www.senate.gov/~finance/Roundtable/Marion_F.pdf).
6. www.irs.gov/pub/irs-tege/governance_practices.pdf.
7. By size categories, the percentages are as follows: less than $100,000: 15 percent; $100,000 to $500,000: 18 percent; $500,000 to $2 million: 27 percent; $2 million to $10 million: 34 percent; $10 million to $40 million: 42 percent; and more than $40 million: 45 percent.
8. Percentages exceed 100 because nonprofits could engage in multiple financial transactions with board members so that any organization could report up to three categories.
9. Ostrower, "Nonprofit Governance in the United States." Note that percentages obtaining goods at market rates and below-market rates exceed 100 because nonprofits could engage in multiple financial transactions with board members, and therefore any nonprofit could report in both categories.
10. Ibid.

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Findings to which you should PAY ATTENTION!

It distresses us to see so few practitioners taking advantage of research when making decisions about their boards. Ostrower's study provides many informational jewels for the wise practitioner. For instance:

One of the most essential roles of the board is to fundraise!

There were only two activities that over half of all respondents said their boards were very actively engaged in—and even these were only slight majorities: 52 percent said their boards were very actively engaged in financial oversight, and 52 percent said they were very active in setting organizational policy. Only a minority of boards were very involved when it came to most of the activities we asked about, including fundraising (29 percent). Most respondents rated their boards as doing a "good" or "excellent" job in all areas except fundraising.

What about including our executive on the board?

The practice of including the executive director as a voting board member is less common on nonprofit boards than on corporate boards, but we did find the practice among a substantial minority (33 percent) of respondents, including 21 percent of those with a paid CEO/executive director. Having the CEO/executive director serve as a voting board member was negatively related to board activity level in financial oversight, setting policy, community relations, and trying to influence public policy—and positively related to none.

How big is too big?

Our analyses yielded an interesting finding about one board attribute that has been the subject of some controversy—board size. Large board size has been cited as contributing to governance failures in some of the more highly publicized scandals at nonprofits, and occasionally proposals have been floated to impose an upper limit. The IRS draft guidelines propose no limits but caution that "large boards may be less attentive to oversight duties." While large board size may contribute to problems at some nonprofits, our findings do not indicate that larger board size per se detracts from board engagement. Indeed, to the extent that it had any association with activity levels (and usually it did not), it was a positive one: board size was positively associated with board activity in fundraising, educating the public about the organization and its mission, and trying to influence public policy.

Compensating board members: yea or nay?

Nonprofits in our study rarely reported compensating board members—only 2 percent did so. The percentage is higher among larger nonprofits, reaching to 10 percent among nonprofits with over $40 million in expenses. The propensity to compensate was also higher among health organizations (4 percent) than nonprofits in other fields (2 percent). Bear in mind that this study was confined to public charities and does not include private foundations (which more often compensate). Boards that compensate were not more or less likely to be actively engaged in financial oversight, setting policy, planning, monitoring programs, or evaluating the CEO/executive director. They were not more or less likely to evaluate whether the organization was achieving its goals at least every two years. Compensation was negatively associated with levels of board activity in fundraising, community relations, and educating the public about the organization and its mission. Boards that compensate their members were more likely to be active in trying to influence public policy, but this relationship disappeared with controls for other variables. However, compensation was positively associated with attendance at board meetings, and this relationship held even after controls for other variables.

Sarbanes-Oxley: Ten Years Later

by Rick Cohen

Although the Sarbanes-Oxley Act was aimed at corporations, elements have crept into the nonprofit sector, creating "an ethos in the nation and within the nonprofit sector, restoring and elevating the importance of governance, particularly that carried out by the nonprofit board."

It was only a decade ago that Congress passed the Sarbanes-Oxley Act (SOX) in response to the meltdown of the Enron Corporation and the Arthur Andersen accounting firm. The two official names of the legislation—the Public Company Accounting Reform and Investor Protection Act (in the Senate) and the Corporate and Auditing Accountability and Responsibility Act (in the House of Representatives)—tell you where Congress was focused: on publicly traded corporations and the accounting practices necessary for protecting investors.

Sarbanes-Oxley wasn't aimed at the nonprofit sector and contained almost no legislative language applicable to nonprofits. While trade associations in the corporate sector have loudly bemoaned the burdens SOX imposed on corporations, Sarbanes-Oxley survives. Despite corporate complaints, SOX has become part of the landscape of corporate governance writ large—for publicly owned corporations and, by absorption, for 501(c)(3) public charities, which have seen the value of a more rigorous regime of improved corporate governance practices.

What the Law Requires

Only two provisions of Sarbanes-Oxley apply to nonprofits: retaliation against whistleblowers and destruction of documents that could be used in an official investigation. But this didn't stop nonprofits from worrying that more of the law would seep from public corporations into the nonprofit sector. Based on the two tiny components of a sixty-six-page statute, though, the nonprofit sector has little to worry about and actually much to gain.

Section 1107 of the statute makes it a crime for a nonprofit to retaliate against an employee who provides a federal law enforcement officer with truthful information about a nonprofit's having committed or planned to commit a federal offense. In truth, the provision has relatively limited application, yet it generated a wave of reaction among nonprofits. Nonprofit executives and boards probably feel just as uncomfortable as corporate players do with colleagues blowing the whistle. In fact, some academic and legal literature describe whistleblowers as disgruntled employees or troublemakers rather than virtuous characters exposing organizational wrongdoing, and includes advice from legal experts often focused on how to deal with rather than protect the "troublemakers." But interest in the plight of whistleblowers has not abated. This past November, Congress passed the Whistleblower Protection Enhancement Act, strengthening the provisions to safeguard legitimate whistleblowers and broadening the range of issues covered by federal legislation. Still, the act is focused on federal whistleblowers, not nonprofit ones.

Are nonprofit whistleblowers important? Ask the ProPublica and *Frontline* investigative team that in 2012 was able to reveal the sources of secret money behind the social welfare organization Western Tradition Partnership (WTP), eventually uncovering alleged illegal coordination between the purportedly independent WTP and a number of candidates for political office.

Rick Cohen is the *Nonprofit Quarterly*'s national correspondent.

Sometimes nonprofit whistleblower issues aren't large compared to such massive corporate malfeasance as was discovered when Sherron Watkins blew the cover of Exxon's illegal operations, but the ability to speak up about wrongdoing within nonprofits is a critical element of good governance in the sector. Nonetheless, as Louis Clark of the Government Accountability Project told *NPQ*, much of the nonprofit sector doesn't get whistleblower coverage, even when nonprofits are dealing with some parts of the federal bureaucracy. Although the stimulus legislation, which went through a number of nonprofit groups, built in whistleblower protections for vendors and contractors, other federal problems might not cover nonprofit vendors. SOX opened up the culture of whistleblowing to the nonprofit sector—or, perhaps more accurately, within the nonprofit sector—but the nation is still far from providing appropriate and necessary protections to nonprofit whistleblowers.

The other element of the statute that specifically applies to nonprofits is Section 1102, which makes it a crime for nonprofits to alter or destroy documents that should be maintained for use in official proceedings. It also makes it a crime to impede or obstruct such official proceedings. The legislation adds the qualifier "corruptly" to the prohibition, without explaining what exactly "corruptly" means. In any case, the destruction-of-documents language in SOX has led many nonprofits to adopt specific policies detailing which documents must be kept and for how long.

There's no easy answer, however, to the length of time a given document should be kept. Some documents may have lengths of time established by state or federal statutes or regulations; others by virtue of business needs that could go beyond anything established in the law, or that could vary by the type of business activity the nonprofit is pursuing; and still others based on historical or intrinsic purposes. In light of recent federal investigations into the e-mail correspondence of top Pentagon and CIA officials, nonprofits should keep in mind the broad scope of documents that ought to be retained.

And retaining documents may be just as important to nonprofit employees as to the employers.

PHOTOGRAPH: "SENTRY"

The obvious parallel is in the government. Scores of veterans of U.S. military action in Iraq and Afghanistan recently discovered that they cannot receive benefits for their overseas deployments because of lost or missing U.S. Army records from around 2004 to 2008. This serves as a reminder that nonprofit organizations are gatherings of people, and it is these people whistleblower and document retention policies serve to protect.

The Sarbanes-Oxley Ethos

Almost immediately upon the law's passage, the U.S. Chamber of Commerce and other business associations launched a widespread assault on the legislation and its potential negative impact on corporate business practices and profits. That is the sort of reflexive response of business in general to any enacted or pending regulatory requirement, but SOX hardly did in the corporate sector. In fact, for much of the decade after the enactment of the law, the corporate sector fared exceptionally well until overly rapacious banks and investment houses did in the economy in 2008—due in part to inadequate government regulation and oversight.

The corporate hysteria about SOX concerned Section 404 of the law, which calls for independent auditors to examine and certify the adequacy of corporations' internal controls and financial reporting. This was deemed to be an expensive new proposition, with studies emerging indicating that corporations were facing hugely increased operating costs due to SOX compliance. With the downturn in the economy and challenges in the world of business competition, the corporate drumbeat against the presumed additional costs of corporate compliance with SOX remains strong.

Regardless of the corporate thinking, some elements of SOX as good practice seeped into the nonprofit sector—one significant area being the restructuring of nonprofit boards' financial committees. Increasingly, following the SOX corporate model, nonprofits established separate and independent audit committees and even tried to recruit financial experts. States began creating laws with financial thresholds that would require the establishment of audit committees and, consequently, audits.

This is still a big challenge for smaller nonprofits, but the emphasis on bringing in someone with financial expertise to do battle with the auditors is considered good practice. It is no longer sufficient for a nonprofit CEO or executive committee to wheedle with auditors to get clean audits with nothing of substance in the auditors' management letter. Opening up the process to an audit that gets translated through an audit committee, sometimes over the discomfort of an organization's CEO and financial committee, is a major step toward nonprofit accountability. In fact, nonprofits, unlike their for-profit corporate brethren, sometimes now welcome the opportunity to receive a management letter, and make it available with the auditors' recommendations and the nonprofit's specific ameliorative actions. The letter becomes a mark of strength, accountability, and self-improvement. It also sometimes means, in accordance with the public corporation requirements of Sarbanes-Oxley, a regular review and replacement of the auditors themselves.

On the corporate side, the law went further, limiting or prohibiting the services that an auditor might deliver. All too often, auditors were also providing bookkeeping services, investment advice, and other functions that really had no relationship to their functions as independent auditors, and sometimes compromised the integrity and reliability of the audits. It is easy to see why that might happen in a smaller nonprofit, too. An auditor will see a problem, recommend a solution, and be the logical entity to help the nonprofit client carry it out, but with the result that the auditor's judgment could be clouded by self-interest. Avoiding conflicts of interest doesn't mean being shortsighted about logical efficiencies. It makes perfect sense for the auditor to have a role in the preparation of a nonprofit's Form 990s and other tax documents. Similarly, since an auditor should be sharply focused on an organization's financial controls, helping to design the controls to protect and enhance nonprofit accountability also makes sense.

There was, of course, pushback against the application of SOX "best practices" to the nonprofit sector; and, not surprisingly, it emerged sounding much like the corporate critique of the

There was, of course, pushback against the application of SOX "best practices" to the nonprofit sector; and, not surprisingly, it emerged sounding much like the corporate critique of the legislation.

legislation. Nonprofit leaders suggested that the movement toward requiring audits for smaller organizations—though the revenue thresholds established in most state laws made the audit requirement applicable to nonprofits that were clearly in the top 10 percent or even top 5 percent of nonprofits based on annual revenues—would create additional "compliance costs" that, unlike in for-profit circumstances, could not be easily absorbed or passed along to customers or users. Even some larger nonprofits operate on bare-bones financial structures, with minimal operating reserves, constrained overheads, and little financial flexibility. Adding the requirement of audits, as powerful as they are in establishing the veracity of a nonprofit's finances and controls, could mean taking money away from the delivery of crucial services.

Concerned that extra costs could force nonprofits out of business, some nonprofit leaders also suggested that the SOX origins in the corporate sector, particularly with the predatory and self-serving actions of Enron's Kenneth Lay, Jeffrey Skilling, and Andrew Fastow, were unlikely to be issues for the nonprofit sector. Lay, Skilling, and, particularly, Fastow used Enron's lack of controls to enrich themselves through stock options and complex financial structures that most nonprofits couldn't even fathom, much less try to design or replicate. Corporate audits, if conducted by auditors not in the pockets of the executives, would in theory uncover these depredations; in the nonprofit sector, comparable self-enrichment was unlikely to occur. To nonprofits, SOX aimed at uncovering and undoing problems in the corporate sector that were at most hardly pervasive among nonprofits and more than likely all but nonexistent.

Although California came out with a Nonprofit Integrity Act in 2004, and several states established audit thresholds, there was hardly a widespread replication of SOX for nonprofits at the state level. Efforts to increase nonprofit accountability at the federal level foundered as the Senate Finance Committee's investigations in 2004 were channeled into a self-regulatory regime promoted in the two reports of Independent Sector's "Panel on the Nonprofit Sector," and, in 2006, Title XII of the Pension Protection Act, largely focusing on addressing abusive donor-advised funds and supporting organizations and some technical issues concerning charitable deductions. Nonetheless, SOX created an ethos in the nation and within the nonprofit sector, restoring and elevating the importance of governance, particularly that carried out by the nonprofit board. Many boards and their partner CEOs still operate as though best practices in good governance were an alien imposition. But unlike the pre-SOX era, in which governance was sold to the nonprofit public simply as something innately good, SOX put good governance and board oversight into the public policy parlance.

After decades of management professionals training boards and staff about the necessary functions of boards of directors, SOX underscored that nonprofit board membership was not to be looked at as a frivolous, resume-burnishing activity. In other words: board members are supposed to know what the organizations they oversee are actually doing; fiduciary responsibility has meaning and consequences for board members; there is a relationship between good governance and organizational effectiveness; and, with the new public ethos of SOX, institutional funders and individual donors should be legitimately concerned with and attentive to nonprofit governance.

Sarbanes-Oxley didn't eliminate the likes of Andrew Fastow preying on the corporations they oversaw, and the 2002 legislation didn't suddenly make the oversight of the Securities and Exchange Commission muscular and effective. The same holds true for the nonprofit sector. There are still people of dubious ethics abusing the charitable sector, and effective oversight and enforcement from state attorneys general are spotty and even less in evidence from the overburdened and under-resourced tax-exempt division of the Internal Revenue Service. But, despite only two provisions of specific applicability to the nonprofit sector, Sarbanes-Oxley did effect a positive change of context and behavior for nonprofits in the arenas of governance and financial accountability.

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The Inclusive Nonprofit Boardroom: *Leveraging the Transformative Potential of Diversity*

by Patricia Bradshaw, PhD, and Christopher Fredette, PhD

This article looks beyond the simple diversity aspiration to a higher plane. Research shows that a combination of functional and social inclusion creates what the authors have come to call "transformational inclusion," a model that empowers members using functional processes to integrate—rather than assimilate—diverse members.

Editors' note: *This article was first published in* NPQ*'s spring 2011 edition.*

"Recognize that diversity brings richness. Diversity brings new ideas. Diversity brings growth. Diversity brings dynamism. Diversity brings energy. And lack of diversity means sameness, dullness, lack of growth."

—Interviewed board member

Diversity abounds in our communities and organizations, and our understanding of what constitutes diversity continues to grow as patterns of difference shift, yet in many cases we, and our organizations, struggle to keep pace with societal trends. While diversity has many aspects, including individual differences along dimensions such as education or training, personality or style, this article focuses primarily on diversity based on dimensions such as culture, ethnicity, race, age, sexual orientation, and gender. We are looking at a particular context in which such diversity is a concern for many nonprofits, and that context is the boardroom.

The Urban Institute's Francie Ostrower noted in a national survey of nonprofit governance in the United States that 86 percent of board members are white (non-Latino); a mere 7 percent are African American or black; and 3.5 percent are Latino. In a survey of nonprofit boards from across Canada, conducted in 2008, we found that the majority of board members were between thirty and sixty years old, and 44 percent were women. Almost 28 percent of the organizations indicated that there was at least one person with a disability on their board, while 22.4 percent of those surveyed had a board member who was openly lesbian, gay, or bisexual. Only 13 percent of board members were what in Canada are termed "visible minorities," or persons of color.

While funders and others often seem to be advocating for more representative diversity on boards, this has not yet resulted in large shifts in board composition, with the exception of women. It is likely that you have heard the arguments in favor of increasing board diversity, including the claim that more diversity leads to superior financial performance, better strategic decision making, increased responsiveness to community and client stakeholders, and an enhanced ability

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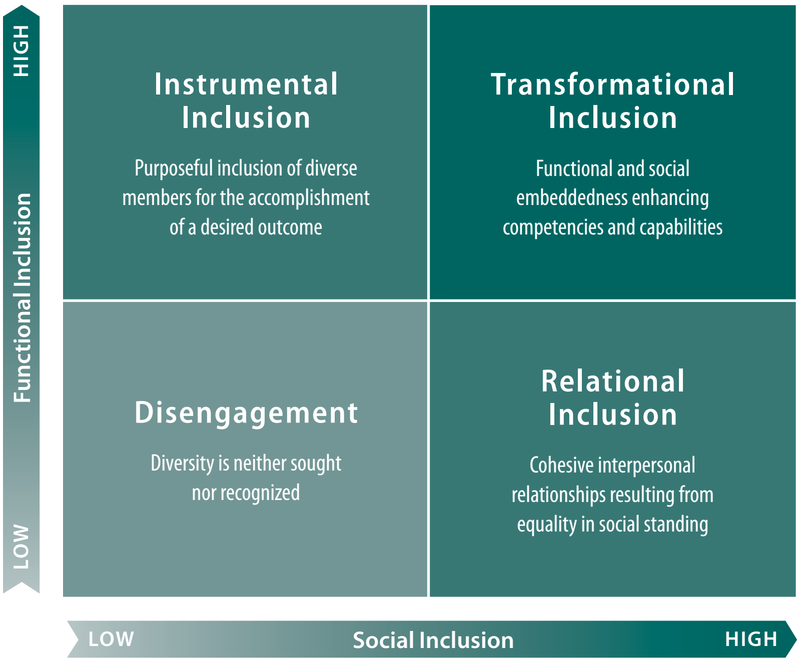
PHOTOGRAPH: "HOMAGE"

Figure 1: **A Typology of Inclusion**



to attract and retain top talent. But you may also have heard that researchers have found a correlation between increasing diversity among governing groups and greater conflict, as well as a deterioration in performance.

Reflecting on our interviews, it seemed that our informants were talking about two different types of inclusion, and about how the two can work together to create something transformational.

We too have struggled with these mixed messages. We wanted to deepen the conversation about diversity on boards through empirical research, in order to better understand the roots of this paradox and what is being done to respond to demands for both increased diversity and effectiveness.

We began by talking to eighteen board members from the voluntary sector in Canada who are viewed by their peers to be leaders in the effort to diversify boards. We were interested in looking at how they made sense of diversity, and what they saw as the best practices for enhancing it. While academics have tended to focus on diversity and the dynamics of "exclusion," communities of practice are now talking about "inclusion." Our informants described inclusion as an alternative to assimilation, in which all people are treated the same, or differentiation, where differences are celebrated and leveraged with the potential consequences of tokenism and exclusion.

We came to define board-level inclusion as the degree to which members of diverse and traditionally marginalized communities are present on boards and meaningfully engaged in the governance of their organizations. We also noted that our informants implied that at times inclusion had potential transformational impacts for both traditionally marginalized individuals and for the board itself. Kristina A. Bourne similarly describes an inclusion breakthrough as "a powerful transformation of an organization's culture to one in which every individual is valued as a vital component of the organization's success and competitive advantage." Bourne describes this concept as an alternative to seeing diversity as an end in itself or something to be managed or tolerated. But her claims, and those of our informants, have not yet been empirically examined. Reflecting on our interviews, it seemed that our informants were talking about two different types of inclusion—which we came to call "functional inclusion" and "social inclusion"—and about how the two can work together to create something transformational.

Functional inclusion emerged from our research as characterized by goal-driven and purposeful strategies for the increased inclusion of members of diverse or traditionally marginalized communities. Social inclusion, in contrast, is best characterized by the participation of members of diverse groups in the interpersonal dynamics and cultural fabric of the board, based on meaningful relational connections. Unlike the functional notions of inclusion, social inclusion also stresses the value derived from social standing and relational acceptance within the context of the board. Reflected in this view of relational acceptance is the need for members of traditionally marginalized communities to be authentically engaged as whole members of the board, avoiding marginalization and alienation.

We concluded that people were basing their comments on an implicit model, and we are suggesting that the combination of both types of inclusion could transform governance and create what we have come to call "transformational inclusion" (see figure 1).

As figure 1 proposes, the board that focuses exclusively on functional inclusion and on taking a "making the business case for diversity" approach will end up with what we are calling "instrumental inclusion." Similarly, boards that focus exclusively on social inclusion end up with what we are calling "relational inclusion," a model that tends to make people "feel" good. Boards that do both instrumental and relational inclusion, however, can generate transformational inclusion. To be really successful, boards of directors need to empower members using functional processes, and they must do so while integrating (rather than assimilating) diverse members using social and relational means as well. For these reasons, we hypothesized that governing groups that are more diverse and implement functionally and socially inclusive practices will be more effective and have higher cohesion and greater commitment than their less diverse counterparts.

We decided that this hypothesis deserved to be tested, and developed a questionnaire that surveyed respondents from 234 boards of directors operating in Canada's nonprofit sector. We measured board diversity by counting the number of ethnocultural and visibly different groups represented on the boards. Our analysis of the impact of increased diversity on boards supports previous research documenting the challenges of diversity. We found that higher levels of diversity were correlated with perceptions on the part of our respondents of lower levels of board effectiveness.

Previous research similarly indicated that diversity leads to conflict and lower performance levels. Fortunately, this is not the end of the story, but it does tell us that it is not enough for boards to simply add members from diverse communities and expect positive outcomes to result. Unless meaningful steps are taken to include members in the functional and social aspects of board life, increasing diversity tends to result in perceptions of greater conflict and dissatisfaction with board performance.

Our study showed that meaningfully engaging diverse members in the social and functional aspects of board work attenuates, and in many cases mitigates, the perceived performance deterioration that occurs when diversity is increased

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along the lines of the functional or social model alone. This is an important finding, as it offers evidence that diverse governing groups need not sacrifice board performance for the sake of increased diversity. Indeed, functional inclusion was found to be positively associated with overall board effectiveness, cohesion, and commitment, while it did little for group cohesion and commitment. Social inclusion, on the other hand, had little direct impact on board effectiveness, but added significantly to group cohesion and commitment. There is a need to balance both social and functional inclusion, lest boards neglect one dimension (social inclusion) in favor of focusing prominently on the other (functional inclusion).

The cumulative implications of diversity and inclusion are complex and intertwined, but largely support our general theme that functional and social inclusion enhance the effectiveness and viability of governing groups, particularly in relation to making the more diverse groups effective, cohesive, and committed. The (direct and indirect) patterns of relationships that we found between board diversity and board effectiveness speak to the transformative potential that lies at the heart of inclusion.

Given these findings, what can boards that want to benefit from diversity actually do in order to create more inclusive governing bodies? In the following sections we describe steps that people we interviewed think are useful in building functional and social inclusion. These are steps that are being enacted by boards as a whole as well as by individual board members who care deeply about inclusion.

Functional Inclusion

We have characterized functional inclusion as goal driven and committed to purposeful strategies for the increased inclusion of individuals who identify as coming from diverse or traditionally marginalized communities. In the interviews, individuals who saw themselves as champions of change described many actions that they had personally taken to make their boards more inclusive, working to get on the board and into positions of influence—such as on governance, diversity, or executive committees—for example, and then pushing for more inclusion of others.

These individuals expressed discomfort at rocking the boat and disrupting the status quo, but they did so intentionally. Some saw how this type of action could lead to tokenism, where a person is added to the board primarily because of his or her difference, or based on quotas or agendas. This opens the door to such questions as, "What do women think about this?" being asked of the only—or token—woman on a board, based on the faulty assumption that one person can speak for a whole demographic community. But the informants also said things like: "If you get the right person, that person can start advocating and then do something. Sometimes tokenism backfires on the people who try to use it." Having a seat at the table presented diverse board members with an opportunity to advance diversity interests and agendas. One person, for example, said:

> Before I came on the executive board, what was happening at the board meeting was the executive would decide what things should come to the board, and present them to the board, and the board [always] said yes. The chair thought that I would be a nice person to be appointed to the board, especially because I come from a diverse community. After about the third executive meeting, of course, she said, "I am very disappointed in you because, you know, we want executive solidarity." So I said, "You'll never get that as long as I'm on the executive board, you can be sure—because I came on the board to represent certain views, and you will hear about those things.

Functional inclusion at the level of the board involves steps taken by the board as a whole to increase representation of members of diverse communities through its policies, structures, practices, and processes. One characteristic of this approach is to focus on stakeholders and make what we often heard called "the business case for diversity." The business case involves assessing the benefits of diversity, and can include considerations such as creating greater access and legitimacy for different constituents, helping the board appear forward thinking, attracting resources, and

Figure 2: **Approaches to Functional Inclusion**	
Board Policies Addressing Inclusion	• Creating board policies related to recruitment and retention based on such differences as race, ethnicity, physical ability, sexual orientation, and/or gender. • Printed board policies related to discrimination and anti-oppression.
Practices to Enhance Inclusion	• Including diversity considerations during board self-assessments. • Incorporating issues of diversity in the board's work plans and strategic plans. • Attempting to reflect the demographic characteristics of clients, community, or members in the composition of the board. • Making the "business case for diversity," and communicating it to build support for diversity.
Recruitment Practices to Attract Diversity	• Advertising for board members in ethno-specific publications. • Partnering with ethnocultural organizations to make them aware of available positions and to help identify qualified candidates. • Building links to services that search for or match organizations with qualified board members.
Board Structure	• Creating a diversity committee tasked with making the board more inclusive. • Using board committees as a training context for members of diverse communities so they are well prepared to join the board.

to a greater extent representing the interests of the communities being served by the organization. The functional approach to inclusion was frequently characterized by a conscious investigation of the demographics of the agency's stakeholders, such as clients, members, or communities served. This would be followed by a "mapping" of that pattern of diversity onto the board to see if the external diversity was represented there. One nonprofit hospital described it this way:

> We looked around the board and saw that we had women covered because half the board members were female. But we wanted to be more reflective of the community, so we did a survey of the patients in the hospital. To be proportionate to the patient population, we realized that the board should add at least one culturally Italian and one culturally Cantonese Chinese board member.

Respondents provided examples of strategies for purposeful inclusion ranging from the general ("Gender diversity was very consciously planned to make sure to maintain a balance") to the scientific ("We had overall a good ratio of different ethnic backgrounds"), and, finally, the tactical ("We tried to think of women that we were working with in the community who were from more marginalized communities or traditionally marginalized communities, and decided to target them. We're doing purposeful recruitment, and I think that has really made a difference").

One particularly salient reason for attempting to include marginalized community members in the board structure is based on the expectations of powerful funding bodies; as one respondent succinctly stated, "The boards will wake up if the funders ask for it."

Although these strategies differ, they share an approach to including diversity within the existing framework of the board via functional approaches such as changing formal structures, processes, and policies. (See figure 2 for other strategies we heard boards using to increase diversity.)

Social Inclusion

Social inclusion is characterized by the participation of members of diverse groups in the interpersonal dynamics and cultural fabric of the board based on meaningful relational connections. Statements such as, "For me, diversity . . . it's definitely a sense of inclusivity of everyone and everything. I think that [it incorporates] inclusivity, respect. I think respect for different people's beliefs and values is critical," demonstrate an awareness of inclusion as existing beyond task or functional views. Respondents who spoke of overcoming feelings of alienation made comments like, "I was feeling very uncomfortable, but after some time, of course, I had to assert myself, and I had the support of [a member of high social standing], so it was okay." Similarly, another person we interviewed spoke of the process of gaining inclusion, claiming, "I think I persevered, and really enjoy the experience now, and the group is just very

Social inclusion is characterized by the participation of members of diverse groups in the interpersonal dynamics and cultural fabric of the board based on meaningful relational connections.

receptive to everyone's ideas, and we all encourage one another."

Although the process of becoming included in social aspects of the board may not be automatic, it is an essential facet of genuine member integration. Individuals from traditionally marginalized communities we talked to spoke about how they used humor to help overcome tension, how they worked to build relationships, and how they were conscious of the need to build trust within the board.

Although the process of becoming included in social aspects of the board may not be automatic, it is an essential facet of genuine member integration.

Our informants also reflected on board-driven efforts to improve social inclusion that included mentorship and coaching, orientation practices, and other group-building processes such as retreats and workshops. These initiatives illustrated the belief that strong social relationships and higher levels of trust and respect are crucial to improving decision making and information sharing. For example, one board used mentors, and we heard the following statement: "We actually assign a board member to mentor new members, particularly young people. And that involves making a personal connection with them, phoning them to remind them about meetings, following up with them after meetings to see how they felt about how the meeting went."

Other strategies for building social inclusion included holding meetings at times and in locations where everyone could attend (in locations with elevators in order to be accessible to those with physical disabilities, or on days that accommodated religious holidays, for example), as well as providing such services as signing for the deaf or hard of hearing. Similarly, some boards made sure that any food that was served accommodated the dietary restrictions and cultural preferences of different members. There was sensitivity, too, regarding the use of humor and choices of subject matter (such as conversations about sports teams or summer cottages) that could marginalize or silence people, or exhibit unconscious privilege.

Thus, social inclusion at the board level centered on building connections and awareness with the intention to create a positive and inclusive board culture. Informants acknowledged the importance of using formal initiatives to create relational bonds that contribute to the performance of the board: "We did talk about the need for coaching people and partnering people, and giving people a friend on the board to provide extra support and translation. It's like cultural translation for any new member, but particularly for new members who either don't have a lot of experience or don't know there's a dominant culture at the board that is different from where they might be coming from." The energy spent building relationships to foster a shared understanding was considered by many to be important in attracting and maintaining an active membership within a more diverse board. A strong and welcoming organizational culture was depicted as another way of increasing feelings of inclusion, which reduced detachment and turnover.

Our results suggest that if you want to have diverse governing groups, you need to find a way to genuinely speak to people from marginalized communities, support these members through the transitional phases of board entry, and authentically engage them in social aspects that build strong relationships and board cohesion. One of the core findings of our investigation suggests that underlying social inclusion is the authentic understanding that social relationships have value in and of themselves beyond any value they may have as a way to accomplish functional ends.

Putting Social and Functional Inclusion Together: Transformational Inclusion

As described above, during our interviews we heard people talking about social inclusion and functional inclusion, but there seemed to be another, even more important message embedded in the conversations: When it comes to issues of diversity, all too often the relationship between traditionally marginalized individuals and the boardroom can be compared metaphorically to an egg used in the baking of a cake, as seen through the eyes of a child. We like this metaphor and ask you to visualize a child helping his or her father make a cake, first by mixing the dry ingredients together, and then removing an egg from the carton and placing it whole into the bowl and starting to stir. The father laughingly points out that the egg must be broken and the mixture transformed before the cake is ready for the oven.

Traditional views of diversity stress the benefits attributable to representation—like the unbroken egg placed carefully into the bowl. Missing from those perspectives is a discourse recognizing the transformative implications of mixing the egg into the otherwise dry batter, where both are irrevocably changed and it becomes impossible to separate out the various ingredients into their original forms. Also missing is the recognition that just as the cake batter is impacted by the heat in the oven, so are the changing expectations of funders, members, clients, and the public at large, who are turning up the heat on nonprofit boards and demanding that they be more representative of their communities. This article develops a theory of transformational inclusivity as a reconciliation of the dilemmas faced by individuals and organizations struggling with the challenges of workgroup diversity, which if not embraced from an inclusion perspective can actually lower the effectiveness of a board.

Returning to our cake baking metaphor, it is clear that neither eggs nor cake-mix alone are enough to create a cake. Both are necessary, but neither one is sufficient on its own. A similar assertion has been argued throughout the course of this article, based on our belief that neither functional nor social approaches to inclusion are independently sufficient for a board of directors to be truly inclusive in its orientation. Boards need to consider diversity as inclusivity that influences the board in its entirety—not only with respect to transforming composition but also in terms of transforming culture and structural parameters.

Inclusivity is a culture-changing process, and one that will bring a multitude of divergent logics and ideologies to bear on shared and sometimes divergent interests. Rather than construing this effort as simply providing a new seat at the table, genuine transformational inclusivity will result in a distinctly changed entity—one that balances permeable and responsive boundaries with achievement-oriented focus intended to meet the demands of the board and its mission.

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Unstill Waters:
The Fluid Role of Networks in Social Movements

by Robin Katcher

Social-movement networks are living organisms, not static entities that follow flat dictates. Based on interviews with those in the trenches, this article outlines some of the ground rules that create social-movement success.

***Editors' note:** This article was first published in* NPQ*'s summer 2010 edition.*

An individual social movement can span many generations. During that time, it is likely to face many different, complicated political contexts. As time passes, a social movement develops its analysis of a problem and changes the language and definitions of things. Often, it meets success and then encounters the next round of problems caused by the preliminary solution gained. Its members will have passionate disagreements about strategy and approach such that they part ways and new members with new views emerge. In other words, movements are living beings, affected by all manner of influences and sometimes embodying great diversity. It is a marvel, then, that any social movement network stays knit together long enough to accomplish big societal change. How do these movement networks do it?

"Networks are not social movements; but social-justice movements need networks," says Marco Davis, a veteran network builder in the Latino community. For anyone involved in a grassroots effort to create change, this statement may seem obvious. But it is hardly simple to describe or understand—even when you are right in the middle of it.

What movement-oriented networks do best, and what it takes to build and invest in them over time, often seems difficult to pin down. At Management Assistance Group (MAG), my colleagues and I have worked with organizations that are part of movement networks, those that act as network hubs, and those that come together to create new networks. Some movement networks flourish and others falter. I set out to deepen our understanding of these movement networks by reviewing the scholarly research and interviewing creative, committed leaders who have built networks, even in the most unfriendly environments.

The organic and responsive nature of networks makes them difficult to study. Networks play essential roles within movements, but how they do so and even which roles they play are not static. This fluidity causes movement networks sometimes to appear disorganized and unwieldy, which has led some to devalue their contribution and

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PHOTOGRAPH: "MY PRECIOUS"

others to push for formal structure and control.

But a deeper look suggests that openness and flexibility are necessary components. Without the ability to learn, adapt, and change, these networks wither and become uninviting and ultimately irrelevant to new leaders. They lose their ability to authentically respond to political and membership complexities and ever-changing needs of movements in the context of the unstill waters of society.

The Essential Roles of Movement Networks

While there are many different types of networks, for the purposes of this article we define movement networks as the following:

1. **multi-organizational:** movement networks link independent organizations and activists to one another and through a central hub organization;
2. **movement oriented:** movement networks intentionally contribute to a broader social movement;
3. **focused on the long term:** movement networks stick together for the long haul and join to advance interests that extend beyond a single-issue campaign; and
4. **porous:** movement networks have more flexible boundaries than a formal franchise structure, such as the Girl Scouts or Habitat for Humanity.

Their purpose is not to serve members alone but to meaningfully analyze, understand, and foster the development of a movement by working with and for others in the network. My research suggests that these movement networks play the following concrete and essential roles to support and contribute to their social movements.

Building linkages and connection with a broader movement. Like most networks, movement networks must foster relationships among members. But members must also see their work for justice as fundamentally linked to that of others and as part of the larger movement. Networks "help develop a movement consciousness: thinking of self as a part of something bigger than you," emphasizes Dan Petegorsky, a longtime network builder in the progressive movement.

Members must agree that by joining together within the network, not only do they gain benefits for their own work but also the work of the network adds up to more than the sum of its parts. Its aggregate power results in gains that will make a difference to their constituencies as well as advance the movement as a whole. A network "allows people's knowledge, creativity, [and] strength to flourish," says Stephanie Poggi, a network builder in reproductive health and justice. It then pulls together local knowledge and diverse experiences to create a larger understanding of the problems that constituencies face. To do so, members are asked to see themselves as part of an "us" and examine how that "us" is positioned within and contributes to the broader movement.

Deepen agreement on a shared political frame. Together members must understand, integrate, and contribute to a shared vision; align on shared values and principles; and deepen a sense of trust, belonging, and identity. According to Rachel Tompkins, a longtime leader in rural education and children's issues, networks "need to create a value system—not just information and policy . . . building and deepening values." More than any other factor, this shared political frame connects individuals and organizations to networks, and networks to movements. "Networked nonprofits cannot take values alignment among partners for granted," write Jane Wei-Skillern and Sonia Marciano.[1] "Networked nonprofits are often far more productive because they don't have to rely on formal control mechanisms. Instead, their partners' internal motivation and commitment drive them to work hard for the shared vision of the network."

Those we interviewed note that building such alignment is not a onetime activity at the start of a network (though at the outset, more work may be required), nor is it simple. Political frames must grow and adjust over time.

The societal problems that movements seek to address are large and complex, and so is the analysis required to build and adjust the frame. What looks like a solution to some can unintentionally affect others.[2] Unless it's used to spark the network to deepen and adjust its analysis, this unintended impact can erode a network's cohesion and effectiveness.

This requires movement networks to not only bring diverse constituencies together but also

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Networks become vehicles for dissemination of messages, approaches, programs, innovation, and ideas to network members and, sometimes, to the public at large.

center analysis on the lived experiences of those most affected by the problem the movement seeks to solve. Networks provide the venue for the "understanding of how constituencies of different races, ethnicities, classes, genders, sexualities, immigrant status, ability, and other historically oppressed groups are differently impacted by the same problem," observes Darlene Nipper, an LGBT leader.

Networks help build this analysis, says Peter Hardie, an economic-justice network leader, by "pushing political questions" and "deepening people's understanding of other parts of the movement ideology, politics, campaigns, organizations." Networks also intend to understand the opposition, its frame, and its strategies. As Petegorsky explains, networks "need to deal with wedge issues openly and honestly. Then they can't divide you. Look at how potential allies are pitted against one another. Watch it closely, because this will change over time."

Coordinate efforts, take joint action, and disseminate information about what works. Networks facilitate and support coordinated action among organizational members. Social movements need coordinated action to build momentum, demonstrate support, and push for change. Some networks engage in coordinated action by proactively designing and leading joint national efforts with their members; others coordinate, support, and amplify the existing work of members to deepen impact.

Networks become vehicles for dissemination of messages, approaches, programs, innovation, and ideas to network members and, sometimes, to the public at large.[3] Effective dissemination requires strong, trusting relationships among innovators and possible implementers. As Marco Davis explains, members "need to understand new models [for doing the work], and [to spread them] you need credibility and trust so members can acknowledge the value and be willing to try it themselves. You need trusting relationships in order to spread innovation and successful approaches. [The network is] not just a space for sharing convictions; you also need mechanisms and how-to's so the parts of the network can deliberately build the movement."

Engage in advocacy campaigns. Some networks develop a shared policy framework that members advance locally, while others run specific, joint national legislative campaigns, and others do both. Effective policy campaigns help "cut the issue," give members "clear handles" to focus, and specify the complex problems movements seek to address. They also must seek to win real improvements in the lives of constituencies.

Several interviewees discussed why they believe it's critical to advance policy through a network. "If we try to shift policy in isolation, we often make mistakes," says Moira Bowman, an experienced organizer in reproductive justice and progressive movement building.

Interviewees say that better policy emerges through the input of diverse perspectives and that networks have an important role in developing policies and mobilizing members to win change.

Effective campaigns require a combination of seizing political opportunities when they arise and engaging in the slow, steady work of building political power that must be exploited when the moment is ripe. Networks help create the level of organization necessary, according to Petegorsky, by "develop[ing] the leaders, materials, connections that prepare people to run campaigns." This allows networks and their members to quickly take advantage of political opportunities.

Network membership alone is often insufficient to win a specific campaign. Interviewees have found that successful campaigns require creating coalitions with those outside the traditional boundaries of the network, including unlikely allies that may agree with the network on only one issue and that have significant political influence. In this way, campaigns are an important avenue for expanding and activating network members; reaching out to those at the periphery of the movement; and building power, influence, and visibility.

Unlike other policy-change efforts disconnected from movements, winning a specific policy change is not the end goal for networks, but rather a means to the ultimate end that gets one step closer to the movement's long-term vision. Tompkins says that it's important to win policy campaigns, but campaigns are also "about spreading values to others in members' communities. Winning a campaign is great, but hopefully [it's] building more long-term support for the cause. We must . . . tie policy to values so that over time people connect to a set of values beyond a specific policy."

Marshall and increase resources and capacity. The strength and power of networks are derived in large part from aggregating the strength and power of members. "Our power comes from our members," observes Diann Rust-Tierney, a leader in the criminal-justice-reform movement. "We are only as strong as they are." Networks therefore must focus on building the organizational capacity, effectiveness, and sustainability of members individually and collectively. The role of a network is to "hel[p] organizations to do their local work and connec[t] those leaders to a broader movement and sustai[n] their organizations over time," Poggi says. "We walk with them through their evolution."

For nearly all the network leaders interviewed for this research, this means helping deliver capacity-building services (i.e., technical assistance, leadership development, training, coaching, and on-site organizational development) and actively working to raise money and visibility for the network and its parts. Some organize philanthropy and make a case for why expanding giving to network members can increase a foundation's impact. According to Tompkins, a network should help "make the parts more credible and legitimate and sustainable, especially since networks can sometimes get access to national foundation money that locals could never reach on their own."

Cultivate new leaders and build their identity as part of the movement. Most movement leaders gain experience by first engaging with local organizations in their own community. But their capacity to develop concrete leadership skills, think strategically, build relationships, and broaden their own movement analysis is often enhanced by involvement in movement networks.

Leadership development efforts must ensure that critical constituencies previously excluded from leadership roles have a place at the network table. "Networks need to keep bringing in those most affected by the issue and make room for them," Nipper says. "We should push the boundaries of the network to include constituencies traditionally marginalized."

Identify and fill gaps in the movement's capacity to win. Networks ought to build an honest and shared analysis about where the network is strong and where it lacks the capacity to be an effective player in the movement. As Bowman says, "Networks are catalysts for building capacity for movements and not just individual organizations." Networks must thus focus on "the spaces between [organizations]" and identify "what's the necessary leverage point to get to the next stage of movement building." This doesn't mean that network hubs should fill all these gaps, but it suggests that networks have an important role in helping members identify need and how it might be met.

While networks often aspire to play all these roles, they often fail to live up to their promise. The competition for resources, the pressures of building individual organizations, and the divide between national and local organizations often act as sizable barriers. So while networks can play each of these roles, rarely does one play all simultaneously.

The work of the movement network is shaped and driven by the movements they seek to support rather than only the network itself or its members.

Leadership development efforts must ensure that critical constituencies previously excluded from leadership roles have a place at the network table.

Beware: Calcified Structures Can Clog Network Arteries

Networks are complex and require balancing many varied and seemingly contradictory elements. They juggle the autonomy of individual members with the need for collective action and accountability; hold the needs and engagement of existing and emerging members; straddle political disagreements and differing approaches to the work; and balance transparency and engagement in decision-making processes with the need for efficiency and rapid responses. To get the work done and create predictability and organization, people in networks (and those that attempt to support them) tend to build structures, rules, and procedures.

The problem isn't that we build structures; it's that we get attached to them and believe that they will provide the glue to hold these networks together. Structures get rigid, hardened, calcified. Rather than being vehicles to open space or advance critical work, they start to block the vitality of the network. "Shifts are happening minute by minute and subtly," Nipper says. "A lot depends on where the network comes in during the movement's development." She pauses, then adds, "We need to ask ourselves, 'Do structures help or hurt what the network is called to do?'"

Structures get rigid, hardened, calcified. Rather than being vehicles to open space or advance critical work, they start to block the vitality of the network.

Fostering Flexibility

My work suggests that networks that emphasize structure are less effective than those that adeptly learn and change. To support adaptation, interviewees sought to engage members in some of the following:

Analyze the movement. The network must consider questions such as, "What does the movement call on us to provide?" It examines the current political context, the trajectory of the movement's own development, the opposition, and the movement's successes and failures. It considers other actors within the movement, and looks at what is currently provided and what is missing.

Accept the network's real and potential power. For networks that seek to empower their organizations, leaders, and constituents to take action, it can be difficult to accept the political power of a network. But networks must assess where they do not have the power to effect change. Networks often skip this conversation to their own detriment. It's almost impossible to design winning campaign strategies and build necessary capacity when networks aren't honest about the starting line.[4]

Minimize permanent structure. Effective networks create temporary subunits comprising members within the network that work together to advance goals and engage in certain activities. Depending on the goal, members may need to cede greater or lesser control to a key leader within the network or staff member at the central hub. In this way, aspects of networks' work can be open and decentralized and others highly centralized. Many effective networks avoid making even the best-run units permanent; they allow them to exist for the length of the task and no longer to create room for the next task.

Make space for marginalized and new voices. Networks that fail to give space to marginalized voices and bring in new leaders wither. In progressive social-justice movements, we must understand how societal oppression plays out within our networks. If we do not, our vision for a just future, our principles, and our values no longer ring true, and the very glue of the movement network disintegrates.

Learn from those outside their movement. When two networks from different movements come together to learn, space for creativity and increased strength opens up. Interviewees for this article were eager to learn how other networks operating within submovements developed, learned, innovated, and adapted. But in the press of their daily work, they rarely found the time to document their own approach and reach out to learn from others.

Experiment. Networks cannot seek agreement from everyone on everything; they would never get work done. Trying to get consensus not only slows the process but also drains an idea of creative juice. Networks can create an environment that welcomes small-scale experiments. Ideas come forth, and those within the network with the energy to pursue these ideas design a small experiment. If the experiment works, it will attract others over time. If it fails, scarce time and resources haven't been wasted. As Bill Traynor writes, effective networks "resource the specific demand" and "starve bad ideas and activities that don't have genuine value."[5]

Identify innovation. Networks should seek innovation and remember that it most frequently emerges from those working on the ground and closest to the issue and constituency. Poggi suggests that network leaders have to pay more attention to visionaries and innovators on the ground and be "a step ahead but without getting too far forward." Doug McAdam echoes this sentiment and says that "peaks in movement activity tend to correspond to the introduction and spread of new protest techniques" or "tactical innovation."[6]

Encourage disagreement and disruption. Networks can become places for experimentation and disruption that help movements innovate and stay ahead of the opposition. "Good movements force [network] leadership to reevaluate, to see new perspectives and fresh ideas, to challenge old ways," says an interviewee. "[You] have to fight; this is the messy part of it. The very innovation that starts well and gets established can get in the way. Upheaval is good."

Change does not always fit neatly into a structure or a process, but seeing the need for it and the ability to harness the creative opportunities that come with change are essential. "The art of leadership in today's world involves orchestrating the inevitable conflict, chaos, and confusion of change so that the disturbance is productive rather than destructive," write Ronald Heifetz, Alexander Grashow, and Marty Linsky.[7]

Create time and space for reflection. Network leaders need to build in opportunities to reflect on past efforts and integrate them into the culture of the network.[8] It's critical to include the insight and experiences of those directly affected by the problem that a network seeks to address.

Networks benefit from cultures that honor strategic risk taking and appreciate mistakes as opportunities to learn. They benefit from asking, "Could we have greater impact if we did something differently?" Networks ought to be "less concerned with making 'correct' decisions than with making correctable ones; less obsessed with avoiding error than with detecting and correcting for error," writes Robert Reich, a professor at the University of California, Berkeley.[9]

Connect and align action with vision. While networks seem to learn and adapt best in flexible environments, they also need to consciously build unity, loyalty, and connection to keep members of the network together. The ongoing development and recommitment to shared vision, values, and long-term goals is essential. "When networked nonprofits share the same values, they do not have to try to manage for every contingency" and are less apt to "exert control to ensure quality," write Wei-Skillern and Marciano.[10]

Accepting the Organic Nature of Networks

The highly adaptive nature of networks that seek to contribute to and support social movements challenges the past thirty years of traditional thinking on what it takes to build and develop nonprofit organizations.[11] If we want to support the development of social movements, we must understand not only individual organizations but also what it takes for them to come together in strong, fluid, adaptive, and effective networks. This requires us to embrace the often messy process of creating and growing networks and to engage in more thinking and discussion to better understand what supports movement networks' learning and adaptation so that they can answer the call at each critical moment.

Change does not always fit neatly into a structure or a process, but seeing the need for it and the ability to harness the creative opportunities that come with change are essential.

Notes

1. Jane Wei-Skillern and Sonia Marciano, "The Networked Nonprofit," *Stanford Social Innovation Review* 6, no. 2 (spring 2008).

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3. Doug McAdam, "Tactical Innovation and the Pace of Insurgency," *American Sociological Review* 48, no. 6 (December 1983).

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Community-Engagement Governance™: *Systems-Wide Governance in Action*

by Judy Freiwirth, PsyD

Many nonprofits look at the board as the only locus of governance—a view that increased expectations about stakeholder engagement in decision making has rendered obsolete. This article proposes a more complete vision of the function that engages many bodies in and around the organization in the direction and implementation of its work.

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It has become increasingly clear that traditional governance models are inadequate to effectively respond to the challenges faced by many nonprofits and their communities. Yet most nonprofits and capacity builders continue to rely on these models, hoping that more training or improved performance will transform the way their organizations are governed, only to find that the underlying problems remain. In response to the need for new approaches to governance, a national network of practioners and researchers known as the Engagement Governance Project, sponsored by the Alliance for Nonprofit Management, has developed a new governance framework.[1] Since *NPQ*'s last two articles on the subject, in 2006 and 2007, the Engagement Governance Project has continued to develop the framework and has launched a national participatory action research project with pilot organizations from around the country.[2] The research has produced some exciting results.

Why New Governance Approaches Are Needed

Traditional governance approaches, based on corporate models and outdated, top-down "command and control" paradigms, still dominate the nonprofit sector. Within these models are strong, inherent demarcations between board, constituents, stakeholders, and staff, with the executive director often the only link between the various parts of the organization. This type of separation commonly results in the disconnection of the board and, ultimately, the organization from the very communities they serve, and it inhibits effective governance and accountability. Moreover, the pervasive trend toward "professionalism," with boards comprised of "experts" who may or may not be engaged with the organization's mission, has tended to deepen a class divide between boards and their communities. Ultimately, these models prevent nonprofits from being effective—that is, responsive and accountable to the communities they serve.

Beth Kanter and Allison Fine, in their new book *The Networked Nonprofit*, describe the normative state of many nonprofits as "fortressed organizations" that "sit behind high walls and drawn shades, holding the outside world at bay to keep secrets in and invaders out."[3] Unfortunately, this description applies to many nonprofit boards that follow traditional, insular governance models. Boards that adopt these models often become so inwardly focused that they isolate themselves from the communities they ostensibly serve.

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PHOTOGRAPH: "SYNESTHETE"

If a nonprofit organization is to be truly accountable to its community and constituencies, democracy must be at its core. Yet, the nonprofit sector has typically tended to replicate structures and processes that actually *hinder* democracy within organizations.

Perhaps most important, the nonprofit sector should foster and advance democracy and self-determination. If a nonprofit organization is to be truly accountable to its community and constituencies, democracy must be at its core. Yet, the nonprofit sector has typically tended to replicate structures and processes that actually *hinder* democracy within organizations. Hierarchical structures in governance not only run counter to democratic values and ideals, they often impede an organization's efforts to achieve its goals and fulfill its mission. If those who are directly affected by an organization's actions—its constituency—are not included in key decision-making processes, they may not be as likely to back the organization with their advocacy voices, volunteer time, or cash. Additionally, a nonprofit without such involvement risks arriving at conclusions or decisions that are incongruent both to its constituents' needs and its own mission.

Beyond the Board as the Sole Locus of Governance

Community-Engagement Governance™ is an expanded approach to governance, built on participatory principles, that moves beyond the board of directors as the sole locus of governance. It is a framework in which responsibility for governance is shared across the organization, including the organization's key stakeholders: its constituents and community, staff, and the board. Community-Engagement Governance™ is based on established principles of participatory democracy, self-determination, genuine partnership, and community-level decision making.

The Community-Engagement Governance™ framework helps organizations and networks to become more responsive to their constituents' and communities' needs and more adaptive to the changing environment. It also provides more person power and credibility with funders. Because no one governance model can fit all organizations, and because many factors—including mission, constituency, stage of organizational development, and adaptability—influence what design will be most effective, the framework can be customized by each organization.[4] The framework was designed as an approach, rather than a model; this means it can be adapted to each organization's unique needs and circumstances. In other words, while the framework is based on a common set of underlying principles, the specific structures and processes it engenders differ across organizations.

Key Principles of the Framework

- **Community impact at the core.** In contrast to traditional governance models, in which the primary focus is the effectiveness of the organization, the framework situates the desired community impact at its core. This reprioritizes results over institution, and also makes the desired impact overwhelmingly the most important focus of nonprofit governance.
- **Governance as a function, rather than a structure; no longer located solely within the confines of the board's structure.** The Engagement Governance Project defines governance as "the provision of guidance and direction to a nonprofit organization, so that it fulfills its vision and reflects its core values while maintaining accountability and fulfilling its responsibilities to the community, its constituents, and the government with which it functions." Legally, there are few requirements regarding who can partner with the board in shared decision making. Thus, nonprofits have leeway regarding which decisions it can choose to share with—or delegate to—constituents and other stakeholders (or share with other nonprofits), and which decisions fall under the board's purview.
- **Governance decision making and power is shared and redistributed among key stakeholders, resulting in higher-quality and better-informed governance decision making and mutual accountability.** The heart of governance is decision making—meaning power, control, authority, and influence. With the framework, decision making—and thus power—is redistributed and shared, creating joint ownership, empowerment, and mutual accountability. Those who have the biggest stake in the mission and are closest to the organization's work—constituents, other stakeholders, and staff—are partners with the board in

governance decision making. This redistribution of power makes nonprofits both more resilient and more responsive to their communities.

- **Democracy and self-determination, rather than dependency and disempowerment.** The nonprofit sector should above all foster and advance democracy and self-determination, and this drive should reach deeper than simply advocating for such democratic values outside the organization. Yet most nonprofit governance models, even those that are constituent-based or "representational," tend to replicate outdated hierarchical structures and processes. Such hierarchical structures not only run counter to democratic values and ideals, they also often impede an organization's ability to achieve its own mission.
- **No one right model: an underlying contingency approach.** Although the framework uses common principles, the specific governance structures and processes employed by a nonprofit will differ according to the organization's needs, size, mission, and stage of development, among other variables. This results in great variability in governance designs across organizations.
- **Governance functions distributed creatively among stakeholders.** Rather than focusing on the commonly used list of governance roles and responsibilities, it is more useful to focus first on governance functions, such as planning, evaluation, advocacy, and fiduciary concerns, and then look creatively at how these can be distributed among stakeholders.
- **Transparency, open systems, and good informational flow between stakeholder groups.** The spread of social media and e-governance throughout the nonprofit sector is already affecting the levels of transparency within organizations. Ongoing communication and continual information flow among stakeholder groups are critical for engaging stakeholders in shared governance. Social media and e-governance have proven to be extraordinarily useful tools for creating increased transparency and facilitating large-group decision making.

How It Works

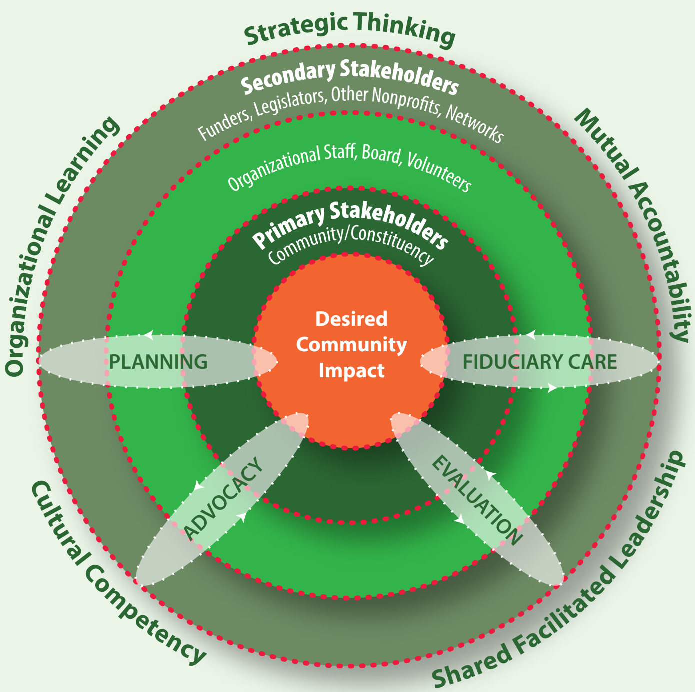
As depicted in figure 1 (following page), the framework allows for different kinds of shared governance to be shared among three organizational layers nonprofits serve: (1) the primary stakeholders (i.e., constituents and those that directly benefit from the organization's mission); (2) the organizational board, staff, and volunteers; and (3) the secondary stakeholders (i.e. funders, community leaders, legislators, collaborating nonprofits and partners, and networks). The organization determines, along a continuum, *what* types of governance decisions are situated in what layer of an organization, *who* should be involved in the decision as mutual participants, and *how* the decisions are made. Four of the key governance functions (planning, evaluation, advocacy, and fiduciary care) involve different layers of the organizational system. Policy changes, for example, might first be discussed within groups representing the interests of one layer, and then by the organization as a whole; or, in very large organizations, within a cross-sectional group made up of representatives from each sector. Team structures that possess decision-making authority are often used as vehicles to engage stakeholders as well as "whole system" methodologies for major decisions, where all layers of stakeholders are brought together for shared decision making. And key strategic directions are usually decided on by all layers, including active constituents, other key stakeholders, and the board and staff.

We believe certain competencies are necessary for an effective shared-governance system. As shown outside the concentric circles in the diagram, there are five critical governance competencies: strategic thinking; mutual accountability; shared facilitated leadership; cultural competency; and organizational learning. These competencies should be intertwined with all areas of governance work and organizational components. In this way, they will contribute to the organization's flexibility, adaptability, and responsiveness to environmental changes.

The design/coordinating function of the process is performed by a design or coordinating team, or, in some cases, by the board itself. In many instances, the board continues to hold the "fiduciary care" role—ensuring financial

The spread of social media and e-governance throughout the nonprofit sector is already affecting the levels of transparency within organizations. Ongoing communication and continual information flow among stakeholder groups are critical for engaging stakeholders in shared governance.

Figure 1: **Community-Engagement Governance™ Framework**



LEGEND

Desired community impact = primary purpose of governance

Concentric circles = stakeholder groups engaged in shared governance
The circles represent the different layers of engagement in governance, with the primary stakeholders (the constituency/community) serving as active participants in meaningful decision making.

Dotted lines between circles = open communication flow and transparency

Elliptical circles = governance functions
The diagram identifies four governance functions: planning, advocacy, evaluation, and fiduciary care. The circular arrows represent the engagement continuum. Within each governance function, the extent to which each stakeholder group (constituents, staff, board, other stakeholders) is engaged in shared decision making may vary; leadership responsibilities within these functions may also vary among the stakeholder groups, depending upon the organization.

The four governance functions are the following:

- Planning functions range from whole-system strategic direction setting and coordinated planning to input on trends and priorities;
- Advocacy functions range from joint decisions about policy and distributed advocacy activities to participation in needs assessment;
- Evaluation functions range from shared participation in design and implementation, and lending resources and expertise, to feedback on quality; and
- Fiduciary care activities range from stewardship and resource development to defining resource needs.

Labels outside of circles = governance competencies
Competencies intertwined with all areas of effective governance

management and resource development functions—while in others, parts of this function are shared by various stakeholders.

"Community-Engagement Governance™ in Action": Action Research Findings

Nine diverse organizations are currently piloting the Community-Engagement Governance™ Framework and adapting it to their constituencies, missions, stages of development, strategic directions, and external factors. These nine organizations have a wide range of missions, annual budgets, developmental stages, constituencies and types of communities served, adaptive capacities, and staff sizes. They include national, statewide, and community-based organizations, coalitions, and networks. Their missions include immigrant rights and services, homelessness prevention, affordable housing advocacy and services, national policy education, reducing disparities in health access, obesity prevention, youth development, community organizing, and leadership development.

One pilot is being conducted by a network/partnership of more than one hundred nonprofit organizations and state agencies. Using the Community-Engagement Governance™ Framework, this network has developed a statewide shared governance structure with the purpose of fighting obesity and chronic disease in the state. Another pilot is being conducted by a "reinvented" organization that had been dormant for five years. The organization, which focuses on youth development through mentoring with seniors, is now using the framework to make itself more responsive to the community and more effective in implementing its mission.

The consulting/research team has been using action research methodology—a systematic cyclical method of "planning, taking action, observing, evaluating, and critical reflecting prior to continued planning"—to document findings for continual learning.[5] Each pilot organization is either currently working or has worked with a lead consultant from the Community-Engagement Governance™ team. With the participating organizations, the consulting/research team is documenting the process by conducting a series of semi-structured interviews and surveys with a cross section of primary and secondary stakeholders. Together, we are learning about the implications of different variations of the approach; the benefits and challenges for the organizations, networks, and communities; the success factors; and how to improve the framework.

What Are Structures and Decision-Making Methodologies for Effective System-Wide Governance?

The consultants have assisted the pilot organizations with different governance designs (structures and processes). Each organization determines which decisions will be shared by which stakeholder groups, and how such decisions will be made and coordinated. Some pilot organizations have created structures that include cross-representational decision-making teams and task forces focused on specific governance functions, such as strategic direction setting, planning, advocacy, and fiduciary oversight. Most of the pilots have also used large-group decision-making methodologies, such as World Café, Future Search, and Open Space Technology.[6] Pilot organizations have used community forums, town hall structures, and other large-group democratic meeting formats, too. For example, one pilot organization convenes a members assembly several times a year to decide on its strategy; this assembly includes active members, key community leaders, and the board and staff.

Another pilot organization convenes large-group "visioning sessions," which set the strategic and advocacy direction for the year. These sessions involve a large group of constituents, the board, staff, member organizations, and other collaborating organizations. Other pilot organizations have used e-governance and social media, not only to facilitate shared leadership through transparent information, but also to facilitate ongoing strategic-level discussions, and, most important, to make decisions as a large group. In addition, pilot organizations have used "open system," team decision-making structures.

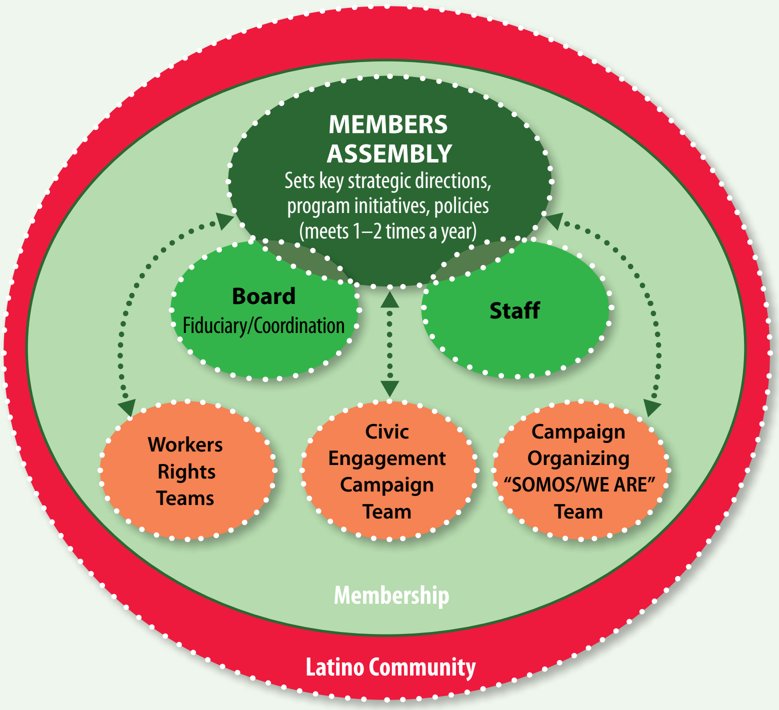
A Few Examples

Centro Presente (see figure 2, following page), a prominent immigrant rights organization in Massachusetts, shares governance functions—such as decisions regarding strategic planning/setting, strategic directions, executive-director hiring, campaign planning, advocacy and organizing, and leadership development—with their members (who come from their broader, Latino, community). The board continues to hold fiduciary and legal responsibilities but shares most other key decisions with the membership. Member assemblies are convened several times a year, and are the highest decision-making structures for the organization. At the assemblies, a large group of active members from the community, board, and staff jointly make the larger strategic-direction decisions for the organization. They also delegate governance responsibility through a team structure. These teams, which assume much of the governance decision making focused on program directions and campaign organization, comprise the board, staff, and active members.

Homes for Families (see figure 3, p. 71), a statewide organization that serves the homeless, holds a "whole-system" yearly visioning session that involves constituents, board, staff, members, and partner organizations. During the session, the strategic directions and new initiatives for the organization are decided on together. Based on these decisions, the board (half constituents, half other primary stakeholders) and teams (also comprised of constituents and primary and secondary stakeholders) coordinate a range of governance decisions. Uniquely, they have developed an integrated, ongoing constituent leadership development program that builds governance skills—especially advocacy skills, which are significant for their mission. Constituents who "graduate" from the training assume leadership positions within an advocacy leadership team, which then designs and implements their advocacy/organizing strategy. Constituents and other stakeholders also comprise the public policy committee, which makes governance decisions regarding public policy strategy between visioning sessions. Some constituent leaders are also board members, and contribute to other governance decisions. In addition, to address other governance decisions, the organization currently plans to develop new cross-sectional teams comprising representatives from each organizational layer.

The consultants have assisted the pilot organizations with different governance designs. Each organization determines which decisions will be shared by which stakeholder groups, and how such decisions will be made and coordinated.

Figure 2: **Centro Presente Governance Design**



Shaping New Jersey (see figure 4, p. 72), a statewide network of more than one hundred nonprofit and government organizations, is using this framework for a coordinated planning and implementation process to reduce New Jersey's obesity levels. Using the Community-Engagement Governance™ Framework principles of shared governance and power, network members have designed a structure and process in which the partner organizations make governance decisions regarding the planning and implementation of state-level environmental and policy strategies. An executive/sustainability committee representing fifteen to twenty partner organizations serves as both a design and coordination team. The team facilitates meaningful partner engagement in joint advocacy, communication, and collaborative plan implementation. While full partnership meetings occur twice a year, most of the decision making occurs within a variety of work teams comprised of partner organizations empowered to make decisions ranging from setting advocacy priorities to designing strategies for increasing access to healthful foods. They also employ e-governance, using polling to make decisions and a web portal to make documents and reports transparent to the full partnership.

With stakeholders having a significant role in decision making, the pilot organizations believe their accountability to the community has also increased.

Key Findings/Benefits of Using the Framework

Although the action research continues, several significant preliminary findings illustrate the benefits of the framework's approach:

1. Increased ability to respond to community needs and changes in environment; increased accountability to the community.

All the pilot organizations that have implemented a significant portion of their new governance model report that, through the process of involving their stakeholders in governance decisions, they have been able to respond more quickly to changes in their environment, be more responsive to community needs, and mobilize more quickly in response. For example, Centro Presente felt that by redistributing power in their organization so that it was shared between the board and their active membership (community members who are directly affected by immigration policy changes), they could mobilize much more quickly in response to immigration policy changes. Similarly, other pilot organizations report that they have been more proactive, adaptable, and nimble in their decision making. With stakeholders having a significant role in decision making, the pilot organizations believe their accountability to the community has also increased.

In the past, Shaping New Jersey had attempted to develop a coordinated plan of action, but they were unable to create enough ownership of the plan to lead to its successful implementation. Now, through the use of the Community-Engagement Governance™ Framework, they have created a process and structure of shared governance, resulting in a highly collaborative, coordinated ("owned") plan. The group rates a sense of shared ownership and accountability to the larger community as a critical factor in achieving successful outcomes. They also report that this sense of ownership and a new, high level of participation in decision making from the more than one hundred partners have resulted in a coordinated action plan that responds to the alarming rate of obesity in their state.

2. Improved quality and efficiency of governance decision making: increased strategic thinking, creativity, and problem-solving ability.

Pilot organizations that have implemented the framework state that the quality of their governance decision making has improved as a result of their shared governance model. They cite increased creativity along with new thinking and innovative ideas, all resulting from the involvement of key stakeholders in their decision making. Others point to the ability to be more strategic in discussions; with more community involvement, they are better able to solve complex problems. For example, one pilot organization cites its ability to design a compelling and effective strategy in its lobbying efforts with legislators. Subsequent discussions and strategic decisions made with their primary stakeholders—currently and formerly homeless individuals—led to a much more effective and creative organizing and lobbying strategy. This, in turn, led to increased government funding for more innovative and responsive services. Another pilot organization spoke of its increased ability to quickly align its program direction with changing community needs.

One frequently asked question about the framework is whether involving stakeholders in the decision-making processes leads to more cumbersome, time-consuming processes. The answer appears to be no. In fact, the pilot organizations report that, compared with their previous models, they are now able to make *more* efficient decisions by using a shared governance structure. By including key stakeholders in the decision-making process, the information, knowledge, skills, experience, and connection to the mission are "in the room and more accessible to the decision-making process," thereby allowing organizations to make effective decisions more quickly.

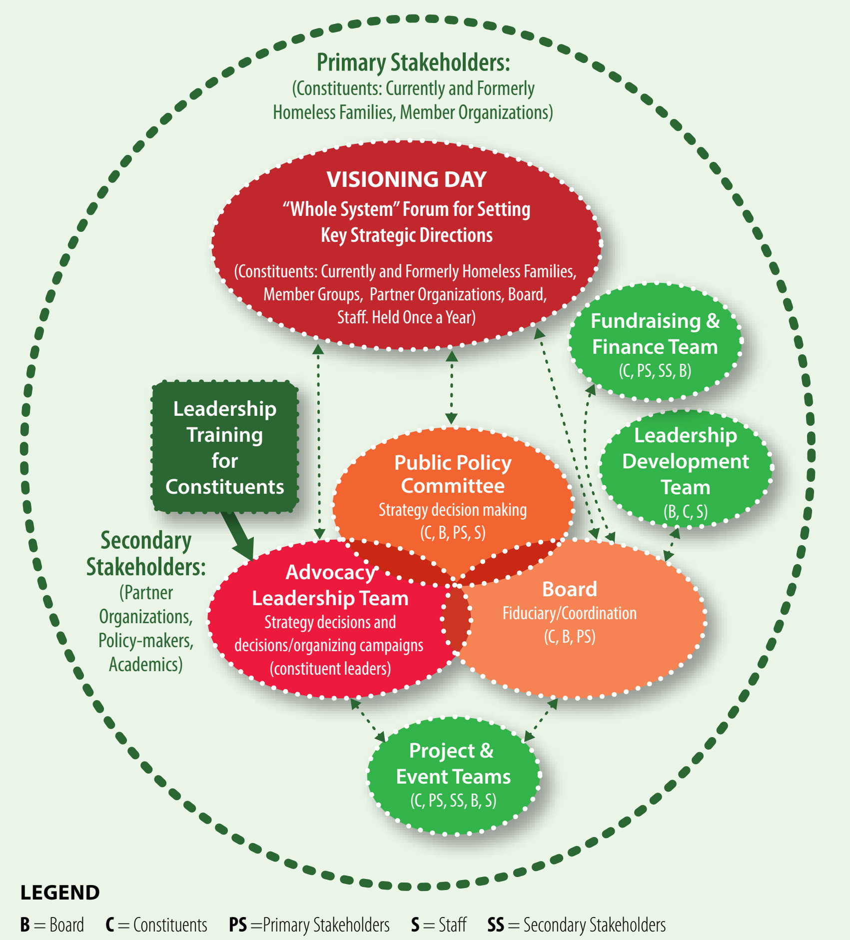
3. Increased shared ownership of the organization's mission and strategic directions.

Pilot organizations report that implementing a shared decision-making structure—one that includes stakeholders—leads to increased investment and ownership of those decisions. Others report that the quality of those decisions has dramatically improved. Still others cite an increase in morale among both the board and staff.

4. An increase in new and more distributed leadership.

As part of their efforts to include community members and constituents in shared governance decision making, some pilot organizations report that they have developed leadership-development initiatives to assist constituents in acquiring leadership skills. In the past, these initiatives tended to include leadership-development workshops, but now constituents are more likely to be engaged in "learning by doing," often sharing leadership of work teams, task forces, and other decision-making structures.

Figure 3: **Homes for Families Governance Design**



Pilot organizations report that implementing a shared decision-making structure leads to increased investment and ownership of those decisions.

Figure 4: **Shaping New Jersey Governance Design**

LEGEND

Governance decision making at all levels of partnership

Work Groups are empowered to make most of the governance decisions. Determine yearly policy and advocacy priorities and design new programming related to plan priorities.

Executive & Sustainability Committee makes governance decisions at full partnership meetings, including monitoring and cross–work group coordination. Integrates key strategic direction and advocacy efforts. Comprised of every work group leader and other state leaders.

Full Partnership Meetings are comprised of over 100 organizations. Meet several times a year to build consensus. Decide on the next year's plan (designed by work groups and integrated by E & S committee and staff).

Office of Nutrition and Fitness is the fiscal agent and part of the New Jersey Department of Health and Senior Services. Decision-making authority includes staffing, strategy evaluation, and communications with partner organizations and public. Shared decision making with work groups regarding allocation of sub-grants.

5. Improved ability to engage in deep collaboration with other nonprofits.
Pilot organizations report that by removing the boundaries around the board and engaging stakeholders in decision making, they can develop new, deeper collaborations. In some cases, this has resulted in "networked governance"—joint governance decisions across numerous organizations.

6. Increased visibility within the broader community.
Several groups report that their increased ability to respond to changes and needs in the community has led to more ongoing and increased visibility within their communities. In turn, this increased visibility has led to greater support from secondary stakeholders, and, ultimately, has helped to build their membership and network of supporters.

7. Increased fundraising capacity and sustainability.
Several pilot organizations report that their increased visibility—through the process of engaging their community in governance decision making—has strengthened their fundraising. As they shifted to a grass-roots fundraising strategy that engaged community members, they eventually built more diverse community ownership of the organization, as well as more sustained funding.

8. Increased transparency and community ownership and more effective large-group decision making through the use of social media and web portals.
Several pilot organizations have used social media and web portals, including tools for large-group decision making, on a regular basis. They have found that these tools increase the group's transparency, facilitate inclusive decision making, and build mutual accountability.

9. Boards that are more engaged, passionate, and transparent about their organization's strategic direction and programs.
Pilot organizations report that as a result of their new governance model, their boards have become much more engaged in their work and more passionate about their organization's strategic direction and programs. As boards worked more closely with stakeholders, especially constituents and key community leaders, they developed a more meaningful relationship with the community and a deeper understanding of the community's needs. The amount of transparency among the board, staff, and other stakeholders also increased. Those organizations that used social media and e-governance modalities also reported a significant increase in transparency and, ultimately, accountability to their communities.

Other Key Learnings and Challenges with Sharing Power

The action research also reveals that for many organizations, the identity of their constituents, community, and primary stakeholders is often unclear. Establishing a shared understanding of who their stakeholders are seems to be a key success factor. Also, an organizational champion with authority (usually the executive director or board chair) is ultimately needed to help lead the process. Depending on their new governance structure, some pilot organizations have successfully included their staff in governance decision making, especially when the staff represented the organization's constituency. The success of staff involvement depends on the organization's culture and mission. Another success factor is the creation of a cross-sectional design or coordinating teams to help design the new governance model for the organization.

Although this governance framework demonstrates promising benefits, the level of change needed can be difficult for some organizations. Initially, boards need to be willing to try new, innovative frameworks and practices, a challenge for many boards. Many organizations are reluctant to engage in the uncertainty and ambiguity that often accompany transformation. Moreover, many boards will need to dramatically shift their perceptions of constituents—from a "charity"/deficit perspective to one of constituents as invaluable assets for the organizations success. Sharing power—both the concept and its implications—is perhaps the biggest hurdle for any board.

Promising Advancement for Nonprofit Governance

Although we continue to learn from our experience and research, the Community-Engagement Governance™ Framework demonstrates promising benefits for nonprofits and their communities. We continue to look forward to feedback from *NPQ*'s readership, and seek additional organizations that would like to join this learning community and help advance the governance field. We hope this new framework will not only advance the movement toward more effective governance models and practices but also assist nonprofits in transforming their governance into one that is more inclusive, democratic, and, ultimately, more focused on impacting the communities they serve.

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Acknowledgments

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Notes

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Loyal *Opposition*

by Patricia Bradshaw, PhD, and Peter Jackson, CA

"The true value of governance lies neither in leadership nor in followership, but in the unique role of 'loyal opposition.'" This concept of parliamentary governance focuses on providing a constructive critique of the ruling party's policies. Applied to nonprofits, the authors suggest that such a function can be instituted in several places within an organization.

***Editors' note:** This article was first published in* NPQ*'s summer 2007 edition.*

When it comes to governance, boards of directors tread a very fine line. Those who seek to lead the organization run the risk of usurping the role of the CEO. Those who follow the CEO's lead run the risk of abdicating their responsibility and joining the ranks of management. In fact, the true value of governance lies neither in leadership nor in followership, but in the unique role of "loyal opposition."

For many years, boards of directors of Canadian corporations and public institutions were criticized as being "parsley on the fish" (decorative but not useful) or an old boys' club, where protection of fellow members and mutual back-scratching ranked ahead of any other obligation. Largely ignored by organizational theorists until ten or fifteen years ago, boards are now intuitively understood to be important, but their function is still not fully conceptualized. This lack of clarity is problematic for individual directors striving to exercise due diligence and fiduciary responsibility and for regulators and quasi-regulators seeking to establish guidance on good practice.

Certainly, it is no longer appropriate (if it ever was) to rubber-stamp every senior management proposal. But, boards that seek to exert more control and influence over the executive team may only escalate political maneuvering. As a result, power either remains with the executive team or shifts into the hands of the board—or there is like-thinking among the two groups. While organizational politics are a reality, power struggles of this type are detrimental to the board's ability to exercise its mandate most effectively.

Rather than look at the role of the board of directors, it's helpful to focus on the functions of governance, leadership, and management. If an organization is to operate effectively, each of these three functions must be performed by someone or some group.

Organizational theory recognizes that the leadership function is about creating a transformational vision of the direction in which the

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PHOTOGRAPH: "REFUGIO"

Every strong leader needs a sounding board, an outside mirror that will help in monitoring the increasingly unpredictable environment.

organization should be heading and "telling the story" in a compelling fashion. Power comes to leaders who create a cohesive, inspiring story that all will follow and believe, and strategic direction falls out of that vision. The more compelling the story, the less the vision is questioned and the stronger the leader. John Roth's ability to create a story about Nortel that so few questioned or doubted is an example of both the power of charismatic leadership and the risks of being believed too much.

The management function is to implement the vision and bring the strategy into operation. Together, leaders and managers must ensure that stakeholders, both inside and outside the organization, see the strength and wisdom of the direction established and that the confidence of shareholders is never shaken.

So what is the function of governance within this framework? Directors know that they should not meddle in management, but they might not understand that governance is distinct from leadership. Many directors are also strong leaders in their own right and may see little alternative to the board fulfilling or supporting the leadership function. Well-intentioned, sincere, and committed, they slide into the leadership function by creating the vision themselves or by guiding the CEO, especially if the CEO is seen as weak.

The function of governance is to protect the organization from a too-successful leadership role. The compelling vision created by a charismatic leader can become a type of prison—a tunnel vision. Leaders become the hero or heroine in the drama of their own creation. As both the producer and the star, they cannot step back from the script that continually unfolds to see if the story line is still coherent. In a world of uncertainty, rapid change, and environmental chaos, plots can quickly become outdated, but the writer may not notice. Business schools teach case studies of companies that misread changes in their environment, in technology, in the demographic profile of customers, or in society's values. Aspiring managers are taught to monitor and scan their environment and also to be self-critical and aware.

The challenge, of course, is that a truly visionary and compelling leader has to believe his own vision. Ambivalence is quickly detected, and leaders who express doubt are accused of not walking the talk or of not being strong and dynamic. If you are seen as a winner and a leader of distinction, it is almost impossible not to be caught up in your own myth. We can say, "Reflect, be humble, share your weaknesses and be self-conscious," but this is asking leaders to be heroic beyond what is reasonable or even realistic. One person simply cannot do it all.

Instead, every strong leader needs a sounding board, an outside mirror that will help in monitoring the increasingly unpredictable environment. Reflection and questioning, reframing and reassessing are key responsibilities of the governance function. Therefore, a board's performance of that function can challenge the leader's vision, ask whether it is in alignment with the environment, assess the risks implicit in it, and obtain assurances that management is implementing it effectively. A board can also confront the leader with different interpretations of the script. The story line will grow stronger and more compelling as the leader defends the vision and adjusts it based on the meta-level critique of the board of directors.

Governance should be a "radical" function that seeks to challenge the root assumptions of leadership, to address those matters that are normally taken for granted or are not discussed. Governance involves deconstruction of the deep structures of power (the glass ceilings, the unspoken privileges, the inequities that are so familiar

The concept of *loyal opposition* means being opposed to the actions of the government or ruling party of the day without being opposed to the constitution of the political system. In Japan, the United Kingdom, and many other Commonwealth countries, the leader of the party possessing the largest number of seats in Parliament while not forming part of the government is termed the *loyal opposition*. Their constitutional function is to scrutinize government legislation and actions. While frequently opposing the ruling party policies at every turn, the leader of the opposition is not opposed to the government's right to rule.

Where Loyal Opposition Fits

	Leadership (championing)	Management (implementing)	Governance (challenging)
Stakeholder relations	Align dominant stakeholder coalitions	Inform stakeholders	Scan stakeholders and represent views
Vision	Tell and sell the vision	Implement the vision and give feedback on progress	Challenge the vision
Power	Exercise power and reinforce existing structures	Be accountable and require accountability from subordinates	Expose and question existing power structures

Governance should be a "radical" function that seeks to challenge the root assumptions of leadership.

as to be invisible). It involves generating alternative visions or scenarios and testing to see if they are more robust and resilient than is the current vision. It also involves asking what-if questions and celebrating diversity and multiplicity of views.

A robust governance function is a challenge to the vision from which the leader derives power, and some leaders may find this personally threatening. Loyal opposition is not always voiced in friendly tones, but the clash of opposing ideas can be as productive as *sotto voce* suggestions. Far greater than the risk of offended sensibilities is the risk to the organization when no governance function is being performed. Governance is absent if the board sets the direction and fulfills the functions of leadership itself, or if the board and executive share the leadership, or if the board merely rubber-stamps the executive's vision. No governance is being performed if the board unquestioningly believes the vision and sees it as an objective reality. The outcome is an organization that risks being limited by an outdated view of the world, under a leadership blind to certain events taking place around it.

Top management is not the only place where leadership functions can be performed; middle and lower management are not the only place for performance of management functions, and the board of directors is not the only place for governance. Each function can be performed at many levels. Employees, for example, can deliver invaluable critiques of the existing vision (if the leader is humble enough to listen), based on their day-to-day, front-line experience in working with customers, suppliers, competitors, and other critical stakeholders. As well, different organizations at varying stages of development may assign functions differently. For example, a volunteer-driven nonprofit agency may have members of its board of directors play a key role in shaping the organization's vision. There is nothing wrong with that, as long as the board recognizes that it (or someone) must also step back into the governance challenge role.

However, board members should examine the governance function of their organization and assess whether it is being performed adequately. In these increasingly uncertain times, both strong leadership and engaged, effective governance are required, as is diligent management. Leadership, management, and governance must be brought to bear on the key aspects of work throughout any organization.

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Board Stories Involving Humans

by Ruth McCambridge

How is it that a ragtag board can effectively support its organization while a picture-perfect board fails miserably? The answer to this conundrum lies not in the structures but rather in the mix of personal and group chemistry and the skills of board members to interact with constituents and each other, keeping and maintaining the work of the organization intact and a singular priority.

***Editors' note:** This article was first published in* NPQ*'s summer 2007 edition.*

Group decision making is as old as tribal councils, used by societies in every century on every continent. Even in ancient times, tribes and clans delegated some decisions to the deliberation and exchange of a leadership group, which (when they work well) can lead to better and more widely accepted decisions.

Present-day decision-making groups share many of the goals of the prehistoric wise councils assembled around the campfire and seek to build their own traditions, legitimacy, and experience. But humans being humans, all such groups face the challenges of consensus building, politics, and other hurdles common to the decision-making process.

Recommendations on board recruitment often suggest that people are essentially interchangeable parts, only differing in their professional training. Plug in an accountant, a lawyer, a human resource professional, a number-savvy business drone, and some other good-hearted souls with time on their hands; schedule some meetings; and let the governing commence!

This strategy, of course, provides little of the visceral connection of lived common cause. There is something random and naive about the way many organizations go about building their boards—and it shows. Even in the most institutional of nonprofit

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PHOTOGRAPH: "JUEGO"

boards, with a standardized board design and plenty of administrative support, it is not unusual to find trustees in a kind of mild-to-severe fog. A survey by the *Chronicle of Higher Education* finds that 40 percent of university trustees admit to feeling “slightly” or “not at all” prepared to carry out their duties.[1] No organization would aspire to this state of affairs at the staff level, yet an energetic but badly focused board member can leverage more control and cause more disruption than most staff. And a low-energy board is just a drain.

In what ways do nonprofits need to elevate the thinking about the development of their boards? Do we focus on the wrong stuff? This article suggests that we do and presents a series of stories that focuses the reader on critical but neglected aspects of board development.

Those Pesky Human Beings

“No [board] design is automatically great,” says David Renz, a national expert on nonprofit boards. “It’s just a start, and then you add the people—and then it often gets really weird, and that’s the way it is. Structure does not and cannot guarantee performance, although it can certainly get in the way. The reality is that a group of talented and committed people can make even the lousiest structure work because they develop processes—sometimes very informal ones—to get around the flaws.” The same is true in the reverse, of course: a talented group driven more by individual ego than collective mission can make even the most rational of structures a joke.

This observation probably resonates with many readers and explains in part why simple structural approaches to board development so often fall short of desired outcomes. Is it possible that the characteristics and orientation of board members matter more than skill sets and contacts? The answer to this question might actually excite us out of rote stupor, revealing more potential for the diversity of board design.

Constituents Above All Else

A battered women’s shelter based in a small midwestern town has a sixty-member board that is consensus based and comprises only active volunteers, who contribute at least four hours a week to the organization. Few of these volunteers have overwhelming individual influence—they are a motley crew, from full-time students to carpenters and accountants—but the board can and does mobilize on a moment’s notice. The board is not always in accord. There are no term limits: when board members object to the organization’s direction, they vote with their feet. Decisions are made by modified consensus. To outsiders the board structure might seem untenable, but it has some characteristics that make it work quite well: all board members have the common experience of having participated in a 36-hour training program that focuses not only on the practice at the shelter but on the theory behind the practice. This is required for any volunteer (and therefore any board member), and all board members have direct experience with the women who stay at the shelter.

What makes this board work? Each board member is well versed in the realities of life for the women whom the organization serves, because board members have actively learned about these challenges. They watch how situations unfold over time, the women’s interactions with the police, the courts, the schools, and their batterers. They are adept at judging the impact of budget decisions and organizational strategies because they have this knowledge and because their training gives them a grasp of program options in general and puts the theory of this particular program in context.

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This board framework would not work everywhere, but it has some intriguing elements in terms of board members’ deep understanding of program, constituents, environment, and a design that is well suited to the particulars of the organization. A description of the “structure” sounds ominously untenable to many. But when this organization suddenly lost most of its funding, the board mobilized itself and all of its friends and, within six months, had significantly improved the organization’s financial position from where it was pre-crisis.

Agreements on the Focus and Role of the Board Are Mutable

The Sailors’ Beacon Preservation Group is dedicated to restoring and maintaining a lighthouse in the Pacific Northwest. The board is a mix of local blue- and white-collar professionals, including fishermen, architects, insurance agents, and farmers. The organization has a strong founder who is now the executive director, and the board struggles to provide a balance through its governance function. Some new board members rotate out quickly in frustration over a lack of board control, especially if they have had experience on other boards. Others remain on the board for years at a time—there are no term limits—and are highly engaged in helping the grassroots effort to maintain the lighthouse and develop education programs for the public on maritime history. These board members provide flexibility for the strong founding leader and engage in high-level conversations that ensure a focus on mission. They sometimes lock horns with one another or with the director, but in general the board members who stay enjoy serving on a board that has developed a culture that reflects the needs of the lighthouse and of the public.

This group was not always effective in its governance role, however. During the mid-1990s, there was intense conflict between the founding executive director and board members, who wanted to share the reins. An organizational consultant helped the board with some classic role definition, enabling members to recognize that there was quite a bit of board business that they had neglected, and that they could strike a balance if they defined their governance work within parameters rather than focusing solely on the work of the executive director. There was a seminal planning meeting on a cold winter's day at the lighthouse, where the board and executive director agreed to a strong vision and mission. For the next decade, board members were deeply oriented toward the mission, and every boardroom decision was made with this mission as the key screen. Finally, the group created an annual check-in on its own performance and worked to improve the governance function. The strong-minded executive still posed some challenges to work with, but rather than tear and claw at the strengths of the founder, the board strengthened its own role, held itself accountable, and worked to improve itself incrementally and to create accountability with its publics, its mission, and among each other.

Again, this structure doesn't work in every organization. But according to the organizational consultant hired to improve the maritime nonprofit, when the board placed the mission at the center of the conversation, everything else fell into place. Each board fits its nonprofit in a slightly different way, and many board types and patterns work. In some cases, the fit may work for a while and then need some revision. This is not a failure unless we cast it that way. If anything, the sector is lacking in creative board design.

Each board fits its nonprofit in a slightly different way, and many board types and patterns work. In some cases, the fit may work for a while and then need some revision. This is not a failure unless we cast it that way.

Negative Effects of a Well-Intentioned Structure

The board of a statewide coalition of local activist groups meets quarterly, often just barely making quorum. Among the board members, levels of knowledge, energy, and interest vary considerably, which is not surprising given that the coalition's thirty-plus member organizations each appoint a representative, some of whom care deeply about public policy and some of whom are just plain uninterested. There is also a mix of executives and line staff members on the board, reflecting the orientation of the member group to the coalition. Meetings take place in the middle of the state and often start late because of the delayed arrivals of the less motivated. The coalition spends a lot of time and psychic energy on dead-end discussions and on conflicts among the members. Sometimes individual board members bring their conflicts with their home groups to the meeting, which only confuses things. Members often resort to reciting the bylaws to one another. Still, the coalition gets the work done, breaking new ground in law and policy and lobbying successfully for funding streams. Its accomplishments are attributable in part to a small group of committed staff and also to a small core of active board members and independent stakeholders. Participation may not be equal, but invested groups create organizing capacity sufficient to the statewide purpose of social change.

This example raises the issue of appointed board members, which over time often looks much better in theory than in practice. The idea behind appointing board members is that certain kinds of

We have all seen these appointed and partially appointed boards flounder and fail, but precious little research has been done on this design issue, and little in general has been written about it.

organizations need buy-in from other partner organizations for their boards to function well. This leads some small-scale social engineers to require that seats on the board be reserved for appointed members from those organizations. This structure does not, of course, indicate whether there is any heartfelt participation among individuals or whether there is any chemistry of mutual attraction to a goal that makes a group really sing.

In "Boards Behaving Badly," Owen Heiserman discussed the unfortunate legacy of a mandated policy of "inclusion" in community antipoverty agencies.[2] One national organization I know of said it was fine idea, as long as the board retained its original liaison board members. But with each successive representative, the purpose of board membership became more vague; indeed, showing up at all was more about what a representative was required to do for the home-appointing organization than about a sense of commitment to the organization. This is clearly not a good dynamic for any board, and it creates a two-class system of board members. In this case, the result was pretty much the antithesis of the women's shelter board mentioned previously: distantly connected, unmotivated, and uninformed members do not an exciting board make. It's not that appointed board members are necessarily a bad thing, but they bring some significant challenges to team building.

If appointed board members come from an agency that funds the organization, it can add another layer of complexity. Another organization I encountered was established with an appointed board comprising middle-management staff in state agencies that work with women making the transition from welfare to work. The charge of the organization: advocacy for better practice at those agencies. The organization's first director was a tireless critic of the unwillingness of state agencies to cooperate with one another. But at some point they proved him wrong with a well-coordinated campaign to oust him from his job. The organization then limped along as a service group. State-agency representatives stopped coming to meetings, and eventually the mandate for their participation was removed from the organization's bylaws. Certainly, questions should have been raised up front about the sustainability of a board that included members appointed from agencies that were the target of the group's criticisms. But the private funding source involved saw inclusion as a way of selling the idea to the then-administration—which changed after the next election, of course—along with agency heads.

We have all seen these appointed and partially appointed boards flounder and fail, but precious little research has been done on this design issue, and little in general has been written about it. Again, a few committed humans can overcome these kinds of structural barriers, but it almost always means that an organization has a titular board and a group of behind-the-scenes players who make things happen.

Imprisoned by Board Culture

The board in a low-income community organization is a stickler for process. Forty years ago, the organization started out as an innovative collection of community activists, but now it offers a standard menu of service programs whose parameters are defined by the state. Board members are recruited for their technical skills and their political and social contacts. The board is dysfunctional, with opposing cliques attempting to capture new members to their point of view. Mean-spiritedness is the order of the day. Each meeting starts with a lavish dinner and then the presentation of an executive report, which is usually lengthy and defensively structured. Defensiveness is reasonable, considering that board performance reviews of the executive are either overly effusive (during the honeymoon stage, the new executive director is greeted as organizational savior) or highly critical (once the director has inevitably fallen from the perch), with great detail provided on the executive's failings. Formal language and Robert's Rules paper over any acknowledgment of the depth and chronic nature of the board's problems. Executive staff at the CEO and CFO levels circulate in and out of the agency through a revolving door, often leaving tangles of financial and relationship problems with funders.

What makes this board malfunction? During its formative years, two well-respected individuals led the organization. The board supported but also depended on them as the glue and public face of the organization. Subsequent executives were less able to bring cohesion or excite loyalty from the board as a whole, and the board inevitably splintered into two camps: one for and one against whoever happened to occupy the executive's chair at the time. Thus the boardroom is a space locked in conflict and fraught with danger. People either stay out of the line of fire or join a side. Real conversations take place in the parking lot on the way out. No amount of retreat is going to affect the tenor of the room until those who inhabit it admit that they are the problem—and that's a tall order. After all, they are volunteers and each of them, with some legitimacy, views himself as a community-minded individual. As members squabble with one another, many of the programs and relationships with funders are in a free fall. This board is in the habit of offloading responsibility and has instituted a "Love ya now, hate ya later" cycle with all executives. A steady stream of consultants enters and leaves without effect.

Look around any community, and you will see sad boards; happy boards; focused, aligned, thoughtful, and mission-centric boards; pedantic, self-satisfied, and tiresome boards; sloppy boards; and obsessive-compulsive boards. When humans come together, they create a whole of the parts, which can seem confounding when the whole is much less than the sum—a common complaint of boards. But the group may have created its own invisible limitations—a very human characteristic.

There is little attention paid to the gestalt of boards, but of course each board has one. A gestalt involves three sets of attributes: the entity in all its own complexity, the entity's context, and the relationship between them. So an organizational gestalt—and when it is functionally separated, a board gestalt—can reflect the culture of the organization's sector, its geographic area, the governance preferences of the local United Way, or all of the above. It can also be deeply affected by the "creation story" of the organization. Did the organization have to fight its way into existence? Was it the product of a large, ill-informed grant from a national foundation that later abandoned the infant effort? Human beings tend to carry epic stories forward as fables with morals, and they will force-fit outcomes to their expectations, even when that means repetitive failure. Does the board tend to lead, or does it follow a strong executive? Does the board appoint members, or does its membership elect board representatives? Not only do these questions matter, but the stories that explain how the organization arrived at its present state also matter.

Cultural attributes cannot always be structured in or out, but acknowledging them provides a board with more control. As Edwin Nevis, the president of Gestalt International Study Center, says, "Awareness is the precursor to effective action. Awareness leads to choice."

I have discovered that people can be shy about naming such stuff—opting instead to banish a few purveyors of disturbance from the room—only to find this troublemaking mysteriously replicated by others shortly thereafter. You may recognize this dynamic from family systems therapy. The board is, after all, a group of human beings.

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There Is No "Away"

One *NPQ* reader writes: "There is a bit of a disconnect in the cultural approaches [between board and staff]. It's not a real issue, but my board does not play a major role in the heart of the organization. While I could recruit new board members onto our board who think differently, I also have to keep our public credibility in mind. It's very handy to have a well-respected lawyer or businessman on the board for that reason. It does not feel right, in terms of our real ethos, so it's a fudge. [I] don't know what the solution is yet."

One rule of systems thinking is that there is no "away." If we dump hazardous waste, it will come back to haunt us. The same goes for sliding our boards to the side. We are often confused when staff acts out of one set of motivations and the board out of another. Sometimes this is a function of a board's belief that it should take a certain stance to counterbalance staff behavior, but sometimes it is just a function of relative isolation (which can easily happen if the executive is the only point of contact). This duality—and the tendency of boards to be insufficiently familiar with the details of the work of the organization—often leads to executives' attempts to "manage" (read: marginalize and contain) the board.

It has always struck me as next-to-insane to bring people onto a board when they have no significant experience in the work of the organization.

An attempt to "manage" the board often leads to its members being the last to know about organizational problems. The programs can have a terrible reputation, the funders can lose trust, and the surrounding community may have an opinion of the organization that belies its mission intentions—without the board really accepting that this is the case. The board may have a heroic view of the organization, even if that view coexists with a sense of discomfort about things left undone.

This, of course, can lead to a revelatory moment when the board finally "hears" negative information that has been building over time. Such revelatory moments can be brutal and bloody. In one case, the attorney general cited an organization for a questionable fundraising strategy after the board had been told repeatedly that the organization might have hosted a wealth of other ethical lapses. But it was not until the staff led an open rebellion that the board had an epiphany. Until the mutiny, the board acted as though it had been unfairly singled out by the IRS and that the internal alarm sounders were merely expressing personal agendas. Board members took no steps to ensure that protective protocols were in place.

On the other hand, a failure to manage how a board receives and interprets information may cause its members to focus on relatively unimportant details and lose sight of core organizational strengths. Executive directors worry that their boards won't balance the big picture with the details. This inability to rank organizational issues can waylay an organization, sometimes interminably, and that's why the basic proposition of the policy governance model is inviting to some boards and executives (a colleague recently described the Carver method to me as the "executive empowerment model").

For an executive to feel comfortable in relinquishing the bad habit of "managing" the board, he must depend on the board chair and committee chairs to frame and manage conversations, and that requires that the character, background, and, most importantly, the alignment of board members with the mission are primary criteria for recruitment and leadership. The women's shelter exemplifies this principle. All its board members were steeped in the theory and practice of the organization. Three months of volunteering at the shelter sorted out who worked well with others. And, as Harrison and Murray's article on page 86 notes, the characteristics of the board chair are particularly important. In the case of the shelter, the board chair was an unassuming, humble woman, respectful to everyone, not a gossip, quick to laugh—but steady as all get-out.

In Conclusion

People are strange: some for better and some for worse. So it has always struck me as next-to-insane to bring people onto a board when they have no significant experience in the work of the organization. It's a swift way to borrow trouble. How do we know how they work in a team setting? Do they like to build cliques and secret allies, or do they care enough about the work to spend time selflessly on it? What better way to test such things than to organize people into working committees. Do they produce? Do they follow through and bring others to the work? Are they self-aware or quick to defensiveness ("Who are you calling defensive? I'm not defensive!")?

Creating committees that involve people who are interested in what you do and are well charged has so many benefits. But among them are more advocates, more long-term donors (volunteers tend to give), more creativity, and more connections. Such committees make the organization more dynamic and give it higher profile, and they are a wonderful testing ground to identify those humans who can be trusted to be thoughtful, enthusiastic stewards.

Here is my first suggestion: build these committees, and dedicate real staff time to them. Make them a part of your engagement strategy. Mix up the members between staff, constituents, and interested others, and watch who rises to the surface as a prospect for board service. Use them to encourage the appropriate mélange of community activists and leaders who might productively populate a board that can be trusted with the organization's future.

My second suggestion is to think more creatively about governance in general. What role could it ideally play in your organization, and what board design facilitates that? Get past the default mind-set of "boards must do this" and "boards should do that" to find the truly imaginative and inspired functions your board can and should fulfill. Most obviously, don't rely on fundraising prowess and connections as the lens for board recruitment. You may be conditioned to believe that connections are your key to a healthy budget, but recent research finds no proof that organizations that recruit for connections are any better off than those that do not. Moving away from a myopic focus on rote board functions can reveal potential for additional board contributions—beyond fundraising—and the strange, wonderful, and insightful people who might be recruited to realize these board visions.

There is lots of room for variation. Little is written in stone regarding the shape and use of boards. Yet decades of consulting would have groups believe otherwise, and so good people waste inordinate amounts of time trying to fit their unique organizational cultures into prescriptive models. Governance is not a structure but a process. That process must remain responsive not only to what the constituents and the organization need but to what the dynamic in the boardroom and between the board and the executive needs to be to get the work done in the most optimal way possible.

Finally, the dedication of each board member to the accomplishment of the mission and best interests of the organization's constituents should be unquestionable. This is hard to ensure without each board member's having spent considerable time in the work of the organization and with a variety of constituents. It only makes sense to create testing grounds elsewhere in your organization for the quality decision makers and advocates you really need on your board.

Notes

1. Jeffery Selingo, "Trustees: More Willing Than Ready," the *Chronicle of Higher Education*, May 11, 2007.
2. Owen Heiserman, "Boards Behaving Badly," the *Nonprofit Quarterly* 12, no. 2 (2005), www.nonprofitquarterly.org/section/727.html.

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The *Best* and *Worst* of Board Chairs

by Yvonne D. Harrison and Vic Murray

Respondents perceive highly effective chairs as assets to their organization. Conversely, they view ineffective chairs as problematic for boards and for the organization as a whole.

Editors' note: *This article was first published in* NPQ*'s summer 2007 edition. A new conclusion brings the research up to date.*

Most experienced observers of nonprofit governance agree that board chairs can have considerable influence on board operations. But not much research focuses on the critical position of board chairmanship and the factors that determine its potential for positive or negative impact.

To better understand how board chairs affect their organizations, we recently completed two phases of a research project (and have plans for a third). In 2006 we undertook the first phase of this pilot study, conducting in-depth interviews with twenty-one respondents in Seattle, Washington, and in Victoria, British Columbia. Respondents were split nearly evenly between experienced nonprofit board members and CEOs. In 2007 we launched the project's second phase, which consisted of an online survey of 195 nonprofit leaders representing a variety of perspectives (including those of board chairs, board members, CEOs, staff service volunteers, and stakeholders) from across the United States and Canada to verify the results of the study.

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Our research identifies three groups on which board chairs have influence: (1) other board members; (2) CEOs and management teams; and (3) external stakeholders, such as funders, regulators, and clients. Although our exploratory research doesn't touch on this, we have developed a framework that outlines the factors that might shape the behavior of chairs, such as background (i.e., age, gender, education, and previous leadership experience); characteristics of other members in the relationship, such as the CEO; and characteristics of the organization (such as the age, mission, and culture). The organization's larger environment—such as economic and political factors, the organization's climate of competitiveness or cooperativeness, and so on—can also affect board chair behavior.

Phase-One Findings

Our preliminary research findings suggest that there is considerable commonality among those qualities respondents perceive as hallmarks of effective and ineffective chairs. Respondents perceive highly effective chairs as assets to their organization. Conversely, they view ineffective chairs as problematic for boards and the organization as a whole. The table on pages 88–89 features some of these common characteristics.

PHOTOGRAPH: "STANDING ROOM ONLY"

The Highly *Effective* Chair*	The Highly *Ineffective* Chair*
The Chair's Attitudes and Values (as perceived by board members and CEOs)	
• Is committed to organizational mission; is passionate, enthusiastic, and engaged • Is knowledgeable about the organization's activities and challenges • Can see the big picture	• Is too focused on details and unable to see the big picture • Doesn't convey a commitment to the organization • Uses the board chair position mainly to advance personal career or agenda
The Chair's Personality Traits (as perceived by board members and CEOs)	
• Is charismatic and communicates a broad vision with which others can connect • Is extroverted but not bombastic; is at ease with people of all types • Is trustworthy and calm • Is intelligent and grasps complex situations quickly • Has a sense of humor	• Is egotistical and dictatorial (ineffective chair personality type one) • Is introverted and well meaning but unable to inspire others; is uncomfortable in a leadership position (ineffective personality type two)
The Chair's Conduct (as perceived by board members and CEOs)	
• Is proactive; takes initiative in raising issues • Takes time to interact with others; doesn't rush others • Listens, doesn't argue or criticize • Clarifies and helps to redefine issues • Finds common ground when differences arise; manages conflict well	• Listens poorly • Doesn't take sufficient action • Micromanages • Vacillates and takes different positions depending on whom s/he interacts with last • Creates or avoids conflict
The Chair's Qualities (as perceived by CEOs)	
• Mentors and coaches other board members • Is always available when needed • Is nonjudgmental and collaborative • Is always enthusiastic about the organization	• Doesn't respect or trust the CEO • Tends to be critical and unsupportive
The Chair's Relationships with Board Members (as perceived by board members)	
• Is always well prepared for meetings • Conducts productive meetings that are on topic, on time, and action oriented • Is clear about the role of the board and can communicate it to others • Serves as a facilitator rather than a superior • Delegates and works as a team player and team builder • Makes individual board members feel valued and appreciated	• Chairs meetings but fails to lead • Runs meetings poorly, is disorganized, and allows meetings to drift from the topic • Contributes to confusion over the board's role • Isn't proactive; doesn't focus on key issues, and avoids confronting problems • Is too protective of the CEO and staff; doesn't push the board to assess the performance of the organization or itself

The Highly *Effective* Chair*	The Highly *Ineffective* Chair*
The Chair's Relationships with Stakeholders (as perceived by all respondents)	
• Has strong contacts with key people outside the organization • Is willing to use contacts to help the organization	• Isn't proactive in reaching out to stakeholders • Doesn't have, or make use of, external contacts • Uses the board chair position for personal benefit
The Chair's Impact on the CEO	
• Increases the CEO's feelings of competence and boosts morale • Contributes to the improved decision making of the CEO	• Increases turnover of valued staff • Inhibits needed change; contributes to the "slow death" of the organization
The Chair's Impact on the Board	
• Ensures that meetings are focused, efficient, and produce clear decisions • Increases board commitment to the organizational mission • Produces clear plans • Reduces unwanted board turnover • Attracts high-quality members to join the board	• Increases board turnover • Fails to resolve major problems, such as a poorly performing CEO or lost funding, until it's too late
The Chair's Direct Impact on Stakeholders	
• Facilitates funding by helping to get grants or contracts • Improves relationships with existing or potential partners	• Loses the support of key stakeholders
The Chair's Indirect Impact on the Organization	
• Takes the organization in a new direction • Creates a paradigm shift in the organization's thinking and behavior • Saves the organization from insolvency by helping it to renew a major grant • Helps improve staff morale	• Respondents did not provide examples of the behavior of ineffective chairs resulting in serious damage to the organization. The direct impact cited above can do larger damage, of course, but respondents indicate that problems were fixed before permanent damage was done.

*Responses indicated greater diversity when respondents were asked about their experience with ineffective chairs; responses for effective chairs were more uniform.

Experience Base of Respondents to the Study

Respondents in the first set of twenty-one interviews had a minimum of five years of experience in their role and had worked with at least three board chairs. These respondents came from a diverse group of organizations in terms of organizational mission, budget size, staff size, and dependence on volunteers. In our subsequent online survey of 195 nonprofit members in the United States and Canada, a majority of survey respondents reported they had interacted with at least three different board chairs.

Findings from the Online Survey

In terms of the personal qualities of exceptional board chairs, the findings of the online survey mirror first-phase findings. Trustworthiness, intelligence, and good listening skills are the highest-rated qualities for board chairs; being dictatorial, critical, and motivated by self-interest are the lowest-rated qualities.

With the benefit of a larger database, we used factor analysis to identify which characteristics of effective and ineffective chairs hang together. Our analysis yielded five clusters of effective board chair leadership characteristics and one cluster of qualities common to ineffective chairs.

1. *Relationship competencies:*
- Is flexible
- Is comfortable with people of all types
- Is nonjudgmental
- Has strong listening skills
- Has a calm demeanor
- Has a friendly persona
- Is humble

2. *Commitment and action competencies:*
- Has a strong commitment to the organization
- Has a clear commitment to getting things done
- Uses a proactive approach
- Devotes time to the organization

3. *Analytic skill competencies:*
- Can see the big picture
- Can clarify and resolve issues
- Can handle contentious issues

4. *"Willingness to create" competencies:*
- Has high intelligence
- Is an innovative thinker
- Has confidence

5. *Ability-to-influence competencies:*
- Has connections and influence with key people
- Uses connections to advance the organization

The two lowest-rated characteristics of board chairs were combined to form one indicator of chair *in*effectiveness, which we call "dominating behavior":
- Is dictatorial and domineering
- Pursues a self-serving agenda rather than contributing to an organization's well-being

Discussion

This article highlights the characteristics of highly effective and highly ineffective board chairs as perceived by those who work with them. The behavioral and personality characteristics of highly effective chairs are remarkably similar among the various groups of respondents to the online survey.

Respondents highlight the same qualities and skills of effective chairs as those the literature cites as desirable characteristics of nonprofit leaders in general. Our findings are also consistent with several leadership theories. Ralph Stogdill, for example, suggests that effective leaders are charismatic, cooperative, and sociable and know how to influence others, while Shelley Kirkpatrick and Edwin Locke cite cognitive ability, motivation, and confidence as essential leadership qualities. The literature also cites the following characteristics of effective leaders, which parallel our findings:
- Being goal directed
- Having emotional maturity, self-awareness, and social awareness (also known as "emotional intelligence")
- Being creative, flexible, and persistent
- Being committed and independent-minded and understanding the big picture; being compassionate and proactive (also known as "spiritual intelligence")

Our findings are also consistent with the findings of Richard Leblanc and James Gillies, who conclude from a 2005 study of thirty-nine corporate boards and interviews with 194 board members that there are two types of board chairs. The first, which the authors refer to as "conductors," are effective managers because they

> [R]elate very well to management, have a keen interest in good governance and serve as the hub of all-important board activity. They understand group and individual dynamics and possess remarkable leadership skills, both inside and outside the boardroom. They relate exceptionally well to the CEO (if a non-executive chair), committee chairs and other directors. They lead the setting of the agenda, run meetings effectively, moderate discussion appropriately, manage dissent, work towards consensus and, most importantly, set the tone and culture for effective corporate governance.

The second type, known as "caretakers," are ineffective because they either exert too much influence or not enough.

So What? The Practical Implications

The aim of our research was to learn more about the characteristics of outstanding board chair leadership. But we can also draw some conclusions about how a nonprofit organization can better select highly effective chairs.

The most important step is to develop a position description for the chair's role. This should include specific responsibilities of the position vis-à-vis (a) the board, both as individuals and as a group during formal meetings; (b) the CEO and other members of the management team; and (c) external stakeholders. The results of our research can serve as a foundation for the elements these statements should contain.

A position description should also include the qualifications for the job, such as the required level of knowledge about the organization as well as the desired leadership characteristics and interpersonal skills. Again, the results of our research provide some guidelines on the kind of person one should look for.

One of the best ways to develop qualified board members for promotion to the chair position is by establishing a clear system of succession. Future chairs would be appointed to the position of chair elect or vice chair. The understanding would be that the person holding such a position would move into the chair position within a year or two. Those in such roles can then consciously understudy the chair role.

Finally, it is possible to improve the chances of selecting top-notch chairs if boards are willing to carry out formal evaluations of their own performance. In such a process, members can be asked, "Which board member do you think has the greatest potential as a future chairperson, and why?"

In short, the secret to consistently appointing highly effective board chairs lies in making the process more formal and thoughtful by identifying the kind of person you want and by making a conscious effort to find and develop that person for the role.

It is possible to improve the chances of selecting top-notch chairs if boards are willing to carry out formal evaluations of their own performance.

Five Years Later

While our research answered important questions about the leadership of chairpersons of nonprofit boards of directors, research since this time has explored which of the influences described in this article were the most important in explaining chair impact on nonprofit boards, CEOs, and organizations. The most powerful explanation of chair impact comes from the interactions between multiple influences, suggesting that chair leadership effectiveness is a multidimensional leadership construct. We have incorporated chair leadership into our board governance effectiveness research. The purpose of this research is to increase the capacity of boards to identify issues that challenge governance effectiveness, help boards process this information in order to make the best use of the results in board performance decision making, and determine the efficacy of the online performance assessment system in facilitating board and organizational change. To access this free service and University at Albany, SUNY–sponsored board research and development project, visit www.boardcheckup.com or contact Professors Harrison (yharrison@albany.edu) and Murray (vmurray@uvic.ca) directly..

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New Frontiers *and* Critical Questions: *Moving Governance Research Forward*

by Fredrik O. Andersson

By recognizing that governance is not the exclusive domain of boards, and that such emerging trends as multilevel governance, hybrid organizations, and social entrepreneurship continue to change the landscape of nonprofit governance as we know it, we may be better able to understand what it is that enables nonprofits to succeed.

Over the last two decades, scholars and practitioners have attempted to understand and explain what enables nonprofit organizations to succeed. A key conclusion emerging from these efforts is that governance represents an essential dimension in nonprofit leadership, and that the boards engaging in the work of governance are pivotal to the success of the organizations they serve. As a consequence, both academic and practitioner interest in boards and governance is on the rise, and several insights into the complex and dynamic world of governing boards and governance have emerged in recent years.

Yet, much remains to be explored, and as the world around us continues to change, new frontiers open up and new questions surface. This article discusses five general areas for future inquiry and practical consideration as we continue to develop and refine our understanding of nonprofit boards and governance.

1. Broadening the Scope of Governance beyond the Board of Directors

Board work and governance are not synonymous. Boards are structures that exist to govern, but the board and its members can engage in multiple roles and responsibilities within a nonprofit organization. Governance, on the other hand, is a process involving several functions and several stakeholders. For some time now, leading nonprofit scholars have highlighted the danger of equating boards with governance, and argued that we must embrace a broader conceptualization of nonprofit governance.[1]

Working with a wider conceptualization of governance means accepting that a variety of actors outside the boardroom can contribute to carrying out various governance functions, and that outside actors can and often will influence and shape the governance function itself. Examples of such actors are managers, operational staff, advisory groups, funders/donors, and "gray eminences," including former executives, the founder(s) of the agency, and powerful community interest groups. It is both possible and often probable that one or more of these actors participate in governance of a nonprofit as members of what my colleague David Renz and I call the "dominant (governance) coalition," which may or may not include members of the board of directors.[2] To date, however, we know very little about the architecture or dynamics of these dominant governance coalitions: How are they born and how are they organized? How do they lead and how do they evolve over time? To begin answering these questions we must not only open up the

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PHOTOGRAPH: "HEAVEN'S GATE"

Boards of directors and organizations may no longer be the obvious "home" of the governance process. Instead, the governance function is organized in an overarching network of relationships that crosses and links a broad set of participating organizations, stakeholders, and nonprofit leaders.

nonprofit governance construct but also focus on concepts long dormant in nonprofit governance research, including influence, power, politics, and elitism. Furthermore, by recognizing that governance is not the exclusive domain of boards, we can also better understand the relationships between various parts of the larger governance system, such as regulations, policies, norms, and funding regimes, and how they influence governance structures and practices at the organizational level. It is worth noting that there is a rich literature focusing on the "internal" (i.e., governance of organizations) as well as the "external" (i.e., the processes through which society is governed) aspects of governance, but they are seldom discussed or analyzed in tandem.[3] Clearly, finding ways to examine the interactions between these two aspects is a promising and necessary area for future exploration while the social contract and relationships among the public, private, and civil sectors are being renegotiated.

2. The Emergence of Multilevel Governance

Possibly largely due to advancements in technology, we are increasingly witnessing how governance processes are taking place at multiple levels both below and above the level of the organization. Boards of directors and organizations may no longer be the obvious "home" of the governance process. Instead, the governance function is organized in an overarching network of relationships that crosses and links a broad set of participating organizations, stakeholders, and nonprofit leaders. Some of these may not even be acknowledged as stakeholders until the organization violates an expectation they hold or comes under attack. Networks have been widely recognized as a growing and significant form of multi-organizational governance, and in theory there are considerable advantages associated with network governance and coordination, such as enhanced learning, more efficient use of scarce resources, and a greater capacity to address complex social problems. Yet relatively little is known about how these multilevel governance structures operate, develop, and change over time. This discrepancy between the acclamation and attention networks receive and what we actually know suggests that there is much still to be explored before we can deliver a verdict on the effectiveness and outcomes of multilevel governance.

A key question is how to govern an entity that shares little resemblance to what we typically think of as an organization. Although social movements have been around for a long time, the possibilities emerging from the use of new information technology are making the need for an established incorporated organizational entity less obvious. But as we move from organi*zation* to orga*nizing*, how do we ensure that important governance responsibilities, such as accountability and oversight, are not marginalized? And who are the key governance players in multilevel governance networks? (In other words, who *really* governs?) For instance, traditional agency theory assumes that we can differentiate relatively easily between the agent and the principal, but when this relationship grows more ambiguous, and perhaps even shifts depending on when and where one chooses to look, how can we infer and understand the key relationships that influence the governance function? We also used to be able to rely on the government as a sort of coordinating authority that could provide some macro-level guidance and set the rules of the game for nonprofit governance-related activities, but as responses to major social problems are increasingly being addressed at the international level and include multiple private and public players, there is no single overarching authority. Put differently, governments are becoming just one among a set of diverse stakeholders. A final question to consider is what happens when a network experiences asymmetric governance challenges, such as when one segment of the network requires a particular governance response and another segment requires a different one. Who gets to decide what to do, how to do it, when to do it, and with what consequences? As mentioned earlier, to answer such questions we must be willing to engage in conversations about topics long absent in nonprofit governance scholarship, including issues of power, politics, and conflict.

3. Hybridization and Its Consequences

One common observation in both popular and academic literature is that the sector lines that used to separate government, nonprofit, and business entities from one another are getting blurrier. The rise of social enterprises, quasi-governmental organizations, and public-private partnerships is often highlighted as evidence of increasing organizational hybridization and described as a means of addressing complex social issues more efficiently and effectively by freeing organizations from constraints found in the various sectors. What makes this trend interesting is not so much hybridization itself—after all, one could make the argument that all organizations are to a varying degree hybrid constructs that marry various social and economical logics—but the consequences of hybridization on governance. Put differently, if all organizations are hybrids, what exactly are they a mix of, and what are the consequences of this mix for key organizational functions and processes?

One noteworthy approach for examining the above questions emphasizes the role of institutional logics, a perspective that can be described as a framework for investigating the multiple interactions among people, organizations, and institutions in a social system. One of the central ideas of this approach is that different institutional logics are associated with and distinguished by specific and unique organizing principles, practices, and images that guide and affect individual and organizational behavior. In other words, an institutional logic conditions and shapes how key reasoning takes place and what is considered and perceived as important, legitimate, and rational by various actors.[4] Applying this lens to hybrid organizations immediately raises the key question of what happens when one organizational structure contains multiple and perhaps even competing institutional logics. For example, how can social enterprises balance the logics of business enterprise and market competition with the logics of social value creation and democratic governance, when furthering one of these logics may impede progress toward the other? This and many other questions are especially pertinent from a governance perspective, as they force us to think prudently about central issues such as accountability and strategic choice making in hybrid organizations.

4. Governance and Social Entrepreneurship

Social entrepreneurship has been described as a powerful way for nonprofits to generate substantial social impact and transformational change. Consequently, nonprofits and their boards are facing mounting expectations to be more socially entrepreneurial in their posture and operations. Given that propelling an organization in an entrepreneurial direction involves making critical strategic choices, taking strategic action, and leveraging existing resources, it is, at heart, a governance matter. Yet there is little research and public discussion linking aspects of governance to social entrepreneurship. Instead, we are evidently much more interested in telling "hero stories," or describing success and making such normative statements as *nonprofits ought to be more entrepreneurial*. But without a clear understanding of the overlay of social entrepreneurship and governance (and other domains of nonprofit life), we are destined to find little constructive knowledge to guide research and practice. Hence, there is room for important questions to be explored by scholars and practitioners alike.

For instance, one common assumption is that any entrepreneurial endeavor entails risk and uncertainty. But boards of nonprofit organizations are mandated to behave as prudent stewards of resources and ensure accountability, which often includes minimizing risks. So how are boards responding to this challenge? What are the implications of the expectation placed on boards to be more entrepreneurial, and how is this impacting the practice of governance? Are boards ultimately the enablers or perhaps even the preventers of socially entrepreneurial initiatives in nonprofits? Other interesting questions: Is there such a thing as socially entrepreneurial governance, and, if so, what characterizes and what are the key dimensions of such a governance mode? Can boards learn to be more socially entrepreneurial, or is this something that is imprinted at the birth of the organization and that becomes something path-dependent as the organization grows and ages?

Clearly, if we want nonprofits to be more entrepreneurial, we can gain insight by looking at boards and the governance domain—no matter

What are the implications of the expectation placed on boards to be more entrepreneurial, and how is this impacting the practice of governance?

if boards are the drivers of entrepreneurial initiatives, the preventers, or perhaps even excluded from the entire process altogether.

We live in complex times, and, as the universe of nonprofit organizations and organizing evolves, we must not only ask new questions but also take a critical look at the ways we are trying to answer these questions.

5. New Methods in Studying Boards and Governance

As already alluded to, we live in complex times, and, as the universe of nonprofit organizations and organizing evolves, we must not only ask new questions but also take a critical look at the ways we are trying to answer these questions. In other words, are there limitations arising from the dominant and/or current research approaches and methodologies employed to study and assess nonprofit boards and governance? In a recent article, Chris Cornforth addresses this question and points to a number of shortcomings in current research, including the reliance on cross-sectional rather than longitudinal sources of data, the neglect of process and evolutionary studies, and the deficiency of research using large and representative samples of nonprofit organizations ranging from grassroots agencies to large nonprofit enterprises.[5] This is particularly important, as several scholars have acknowledged the significance of size on not just governance but other key nonprofit dimensions. Furthermore, despite the growing interest and relevance of adopting contingency approaches in nonprofit governance research, this line of research is still sluggish.

Cornforth also highlights that, somewhat surprisingly, we still have very limited insight into what boards and those involved in governance are actually doing. Hence, one important methodological direction to explore is to adopt a behavioral approach to study processes and dynamics in and around the boardroom to better understand both what boards are doing and how governance unfolds in nonprofits. A more behaviorally oriented lens would also lend itself toward the use of first-hand empirical data-collection methods, such as questionnaire surveys, in-depth interviews, and participant observations. Ideally, we would be able to collect longitudinal data from multiple respondents and stakeholders in and around the boardroom to outline and understand changing configurations and modes of governance as they evolve over time. Moreover, behavioral studies would also be able to take into account variations in perceptions, ideas, and influence among different stakeholders. Taken together, a behavioral emphasis can help open up the "black box" of actual board behavior and nonprofit governance—which is needed to answer many of the questions discussed in this article.

Conclusion

A central dimension in the leadership of nonprofit organizations, governance is a fascinating field for researchers and practitioners alike. This short article provides a few areas and questions believed to be of importance as we move forward in our understanding of this topic.

Notes

1. See, for example, Chris Cornforth, "Nonprofit Governance Research: Limitations of the Focus on Boards and Suggestions for New Directions," *Nonprofit and Voluntary Sector Quarterly* 41, no. 6 (December 2012): 1116–35, http://nvs.sagepub.com/content/41/6/1116; David O. Renz, "Leadership, Governance, and the Work of the Board," in *The Jossey-Bass Handbook of Nonprofit Leadership and Management*, 3rd ed., ed. Renz (San Francisco: Jossey-Bass, 2010), 125–56.
2. Renz and Fredrik O. Andersson, "Leadership, Power, and Influence: The Impact of the Dominant Coalition on Nonprofit Governance" (paper presented at the annual conference of the Association for Research on Nonprofit Organizations and Voluntary Action [ARNOVA], Toronto, Canada, November 17–19, 2011).
3. Kari Steen-Johnsen, Philippe Eynaud, and Filip Wijkström, "On Civil Society Governance: An Emergent Research Field," *Voluntas* 22, no. 4 (December 2011): 555–65.
4. Patricia H. Thornton and William Ocasio, "Institutional Logics," in *The SAGE Handbook of Organizational Institutionalism*, eds. Royston Greenwood, Christine Oliver, Kerstin Sahlin, and Roy Suddaby (Thousand Oaks, CA: Sage Publications, 2008), 99–129.
5. Cornforth, "Nonprofit Governance Research," *Nonprofit and Voluntary Sector Quarterly* 41, no. 6.

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