Reframing Governance II

By **David Renz** | January 1, 2013

PHOTOGRAPH: "EYE WITNESS" BY SKIP HUNT

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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.

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 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.

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 metro-politan 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.

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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