Engagement Governance *for* System-Wide Decision Making

by Judy Freiwirth, Psy.D.

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I NCREASINGLY NONPROFITS HAVE COME TO recognize that traditional governance models are inadequate to respond effectively to organizational challenges. This article argues that the structure of most boards of directors prevents nonprofits from being effective and causes them to lose their connection and accountability to those they serve.

Why is a more inclusive governance framework native to nonprofit work? With their roots in this country's early voluntary associations, nonprofits are vehicles for ordinary people to accomplish common interests. Thus nonprofits have natural constituencies that can advocate the organization's work with funders and government, subsidize the organization's work through voluntarism, and direct the organization's perspective on how to address problems and move into the future.

Even though many nonprofits have become professionalized, these qualities provide organizations with programmatic accuracy and visibility. And because nonprofits are ultimately organized to benefit their constituencies, they have a responsibility to include their primary stakeholders—their constituents—in organizational decision making.

But the hierarchical structure of many nonprofit boards ignores this central fact and in many

cases does not allow constituents direct involvement in the decision-making process. This can rob organizations of their programmatic accuracy, legitimacy, and most convincing champions.

Traditional nonprofit governance approaches are modeled after corporate governance systems, creating a strong demarcation between board and staff, with the executive director serving as the only link between them. Traditional approaches also create a class system within nonprofits. The executive director often becomes the sole connector to the external world and filters information about an organization's constituency, which can result in board disconnection and inhibit effective governance. Moreover, the trend toward professionalized boards comprising "experts" can deepen the class differential between the board and the community, further exacerbating the board's disconnection from those it ultimately serves.

Beyond the Board

Responding to the need for new governance models, a network of practitioners and researchers from across the country has developed an expanded notion of governance that is built on participatory principles and moves beyond the board of directors as the sole locus of governance.

Although it is still a work in progress, "engagement governance" is a framework in which governance responsibility is shared throughout an organization's key sectors: that is, constituents, staff, board, and other commu-

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Community-Engagement Governance
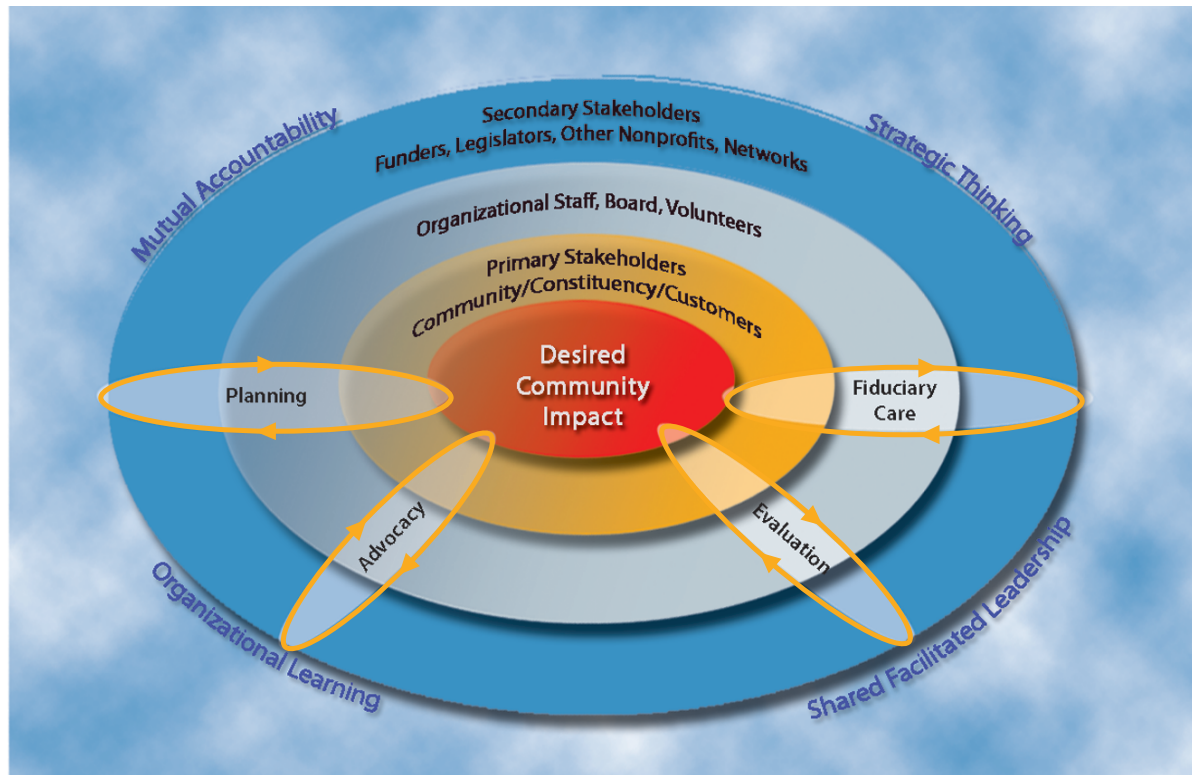
Legend

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 nonprofit.

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

nity stakeholders. It is based on principles of participatory democracy, self-determination, genuine partnership, and community-level decision making as the building blocks of true democracy. Although no governance model fits all nonprofits, we believe that engagement governance more closely reflects the essence of nonprofits by creating vehicles for constituent empowerment and community change.

The Premises of the Framework

Above all, the nonprofit sector should advance democracy and self-determination rather than dependency and disempowerment, and the framework of engagement governance uses this premise as its starting point. Our group 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 government with which it functions." The following are some premises of the framework:

• Because nonprofit governance frameworks tend to replicate outdated, top-down structures, they often run counter to democratic values and impede an organization's achievement of its mission. If those directly affected by a nonprofit's actions are left out of decision-making processes, the resulting decisions can be incongruent with constituency needs, let alone organizational mission.[1]

• Governance is a function and a process, not a structure, so its functions need not be located solely within the confines of a board. Traditionally, governance literature has centered on boards of directors. But legally, there are few requirements about who can partner in governance or participate in a board. Thus a nonprofit has leeway in deciding who will serve on a board, how members will be selected and elected, and which decisions will fall under a board's purview.[2] Application of engagement governance depends on many factors, including the organization's constituency, mission, stage of development, adaptive capacity, size, and community readiness.

• Governance is about power, control, authority, and influence. With engagement governance, decision making—and thus power—is redistributed and shared, creating joint ownership, empowerment, and accountability. As a result,

those closest to the organization's work—constituents and staff—are partners with the board. This redistribution of power makes nonprofits more resilient and responsive and creates a dynamic community presence.

The Framework's Design Principles

While this framework is meant to encourage a variety of governance approaches based on organizational needs, there are a basic set of design principles that any organization should incorporate into a new system of governance.

• *A results-oriented approach.* In contrast to traditional governance models in which the primary focus is the effectiveness of the organization, our framework situates the desired community impact at its core. This reprioritizes results as the central focus of nonprofit governance.

• *Shared authority among stakeholders.* In a community-engagement governance framework, there are three layers of an organizational system: (1) the primary stakeholders (i.e., the constituency that the nonprofit serves; (2) the organizational board, staff, and volunteers; and (3) the secondary stakeholders (i.e., funders, legislators, other nonprofits, and networks).

As depicted in the Community-Engagement Governance diagram on page 39, each layer plays a significant role in this shared-governance system. The framework allows for various kinds of participation by all three layers in the system. An organization determines, along a continuum, which layers of the organization currently make governance decisions, which participants should be involved in future decision making, and how decisions will be made. Policy changes, for example, might first be discussed within groups representing the interests of each layer and then by the group as a whole or, in very large organizations, within a cross-sectional group chosen to represent each sector. Critical organizational and strategic decisions—such as key strategic directions or new initiatives—are generally made together by active constituents, staff, and board members.

• *Open systems, ready access.* An open system provides ready access to information needed for effective decision making at every level. The "Community-Engagement Governance" diagram illustrates an open system between concentric circles, representing the

ongoing information flow, transparency, and communication among the stakeholders and organizational components. After experimenting with this framework in various organizations, we've learned some key lessons, including the importance of ongoing communication and transparency at all organizational levels.

• *Redistributed decision making.* Rather than focus on the common list of governance roles and responsibilities, it is more useful to focus on governance functions and then look creatively at how they can be redistributed. The Community-Engagement Governance diagram identifies four key governance areas to explore: planning, advocacy, evaluation, and fiduciary care. In the diagram, these governance functions are shared by the different groups of participants, as represented by the "slices" within the concentric circles in the diagram. These functions represent a decision-making engagement continuum. The level and design of shared decision making will vary given organizational type. It may be appropriate for a board to take a greater role in fiduciary care to ensure an organization's sound financial management and resource development.

• *Competencies.* Organizations must have individual and organizational competencies for an effective shared-governance system. Outside the concentric circles in the diagram, four governance competencies appear: strategic thinking, mutual accountability, shared facilitative leadership, and organizational learning. These competencies are intertwined with all areas of governance work and organizational components and contribute to organizational adaptability to environmental changes.

Making the Framework Work

Where does a board fit into this shared-governance system? How does an organization manage the decision-making process so all organizational layers effectively participate in decision making? Doesn't redistribution of decision making get unwieldy and inefficient?

As we have experimented with this framework in several organizations, we have learned that an organization must designate one group to be responsible for coordinating the different layers and components of governance.

This approach also addresses how a board can fit into the new system. In some organizations, the board can take on the role of coordination. Although the extent of a board's role will vary among organizations, in some cases a board may design and coordinate the governance decision-making process for the organization. For a board to be effective in this role, however, its composition must truly reflect the organization's constituency.

We have also learned that it can be more effective to organize a cross-sectional team (comprising the board, staff, and primary and secondary stakeholders) to serve as a coordinating council. This team coordinates governance responsibilities by determining the key governance decisions as well as who should be involved and how decisions should be made.

In many cases, a board will continue to assume the fiduciary care role by overseeing the financial management and resource development functions. It may also coordinate an executive director's evaluation process.

Next Steps

The engagement governance framework continues to evolve as we get feedback from practitioners and governance experts. We hope that you will offer your thoughts and experience. We have already received thought-provoking feedback about engagement governance, including questions about the definition of "community" and the makeup of stakeholder layers, how to set up systems for shared accountability, how best to resolve differences in inclusiveness, and how to address issues of cultural competency and class differences in this shared-governance model. Our next step in developing the framework is to design processes that help organizations shift to this new governance framework.

We look forward to your feedback on how to help nonprofits become more inclusive, accountable, democratic, and influential.

Endnotes

1. Judy Freiwirth and Maria Elena Letona, "System-Wide Governance for Community Empowerment," the *Nonprofit Quarterly*, Vol. 13, No. 4, 2006.
2. Internal Revenue Service "Good Governance Practices for 501(c)(3) Organizations," February 2, 2007.

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