

**Non-profit Governance Models:  
Problems and Prospects**

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### **Abstract**

Drawing on our experiences in developing a new governance model for the Canadian Health Network, in this paper we argue that there is currently no agreement about a prescriptive or ideal model of non-profit governance. Rather we suggest that within the current diversity of thought about governance there is an exciting opportunity to create new models which are hybrids of existing and emerging models with the selection of the best model based on a contingency approach. The paper begins with a review and critique of the normative and academic literatures on non-profit boards looking at the assumptions which inform each. The paper then characterizes existing governance models along two dimensions: established vs. innovative and unitary vs. pluralistic. This provides us with a way of mapping current perspectives according to four different models; the Policy Governance model, the Entrepreneurial model, the Constituency model and the Emergent Cellular model. The paper briefly describes the characteristics of each model and outlines the positive and negative features of each. The paper concludes by describing a new hybrid model which embraces the strengths of each model and also capitalizes on some of the new ways of framing management in turbulent times.

### **Key Words**

Non-profit Organizations, Non-profit Governance, Governance Functions, Policy Governance Model, Entrepreneurial Model, Constituency/Representative Model, Emergent Cellular Model, Vector Model

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## **Non-profit Governance Models: Problems and Prospects**

### **Introduction**

This paper has grown out of the work done by the authors in framing a model of governance for the Canadian Health Network (CHN) which was established in the early 1990s as a multi-stakeholder, network organization embracing new models of management. We came to this with an assumption that existing models of governance were not the most appropriate ones for such an organization given its context, goals and values. The purpose of this paper is to share the conceptual thinking that went into the process of re-framing governance and the hybrid model of governance which we generated for this organization. It is hoped that this work will help liberate more innovation and creativity in the field of non-profit and public sector governance. The paper starts by outlining the assumptions underlying the work, and then moves to a literature review and a description of the framework that was developed to characterize the field of governance and ends with some ideas about how a new, hybrid model might be operationalized.

### **Assumptions Underlying the Paper**

This paper is underpinned by some fundamental assumptions which need to be addressed up-front. First, we believe that there is no ideal way of conceptualizing governance and as Abzug concludes there is no “one best way” to structure and compose a board of directors (Abzug, 1996; Robinson, 2001; Nobbie, 2006; Brown, 2000). Also, we assume that a contingency approach for selecting board structure and composition is most appropriate and needs to be based on the particular circumstances of each individual enterprise (Dornstein, 1988; Cornforth, 2003; Widmer & Houchin, 2000). As Brudney and Murray (1998) suggest the board model that is best for one organization is not necessarily best for another and decisions about governance need to be based on the configuration of personalities, culture and environmental pressures unique to each non-profit organization. In essence, we agree with Maranville’s (1999) call for requisite variety.

Based on the search for the best fit of governance model, given the nature of the external environment and with input from a consultation group, we set out to conceptualize a model of governance which was the most appropriate for the Canadian Health Network (CHN) and its Advisory Board of Directors. The CHN was a newly created organization in a turbulent and political environment. The organization was created and funded in a contractual relationship (Coston, 1998) by Health Canada in order to provide reliable, easily accessed and internet based health information to Canadians. CHN was structured as a network of networks and was initiated as a partnership between the Federal government and a large number of affiliate and associate non-profit organizations (originally over 500 affiliated members). It was administered by a secretariat which worked under contract to provide logistical and technical support for this distributed network of partner organizations. The structure of this organization was organic, networked and emergent and the technology was also networked, distributed and highly flexible. The technology enabled new organizational forms because it overcame limitations of time and place associated with traditional technologies. The organization was operating in a context of multiple stakeholders with diverse beliefs and styles of operation. Power was somewhat distributed but the goal was to be interdependent and balanced in sharing power (what Coston,

1998 describes as mutual dependence) based on a world view which valued adaptability, innovation, partnership and emergence. We assumed in the development stages of this project that existing governance models, which appeared to work well in more stable environments and in organizations which are hierarchical, stable, and centralized with few known stakeholders and a routine technology, would not be the best in this different context. We also assumed that we needed to conceptualize a new governance model that was more organic, flexible and open to shared power.

As stated above the other premise underlying this work was based on our assessment of the literature on non-profit governance. We saw this literature as diverse and as containing no strong consensus about a single or ideal model of governance. In the following section we will review the relevant literatures in order to explore this diversity and set the stage for the framework of alternative models we conceptualized.

## **Literature Review**

Governance has only relatively recently become a focus of concern in organizational theory and management. Until about twenty years ago there was an implicit assumption that the boardroom was a context which was not open for exploration and the role, function and structure of boards was not widely examined. With the growing awareness of the importance of governance have come a number of critical debates and normative suggestions about the "ideal" board.

While some consultants and theorists suggest that there is one best formula or approach for creating effective boards, in the following literature review we will show how little agreement there is about what constitutes effective governance. While it appeared for some time that the field was moving towards a type of consensus about a single and "best" model of governance, we are now seeing more divergence of thinking and an active process of articulating alternative governance models. This creative process is partially the result of the emergence of new approaches to management in general. Organizations in the public, for-profit and not-for-profit sectors are trying to cope with increasingly complex, uncertain and rapidly changing environments. This turbulence is a result of changes such as globalization, technological innovation and the emergence of the knowledge age. In response to such rapid changes we see the evolution of new organizational structures and the parallel recognition of the need for innovations in governance models (Miles et. al, 1997).

These changes provide us with an opportunity to suggest governance models which build on the best of the existing experiences and also attempt to incorporate new elements which reflect innovations in management theory. In the following literature review some of the key debates which characterize the literature are highlighted.

## **Normative Literature on Nonprofit Governance**

The literature on non-profit governance, as it has emerged, is largely normative in nature. Implicit in this literature are a set of prescriptions and the assumption is made that if the board and the executive director adequately follow the "recipes" they will be effective. These prescriptions are based on traditional models of management and are designed to deal with the

perceived complexity of managing in organizations which have been called “organized anarchies” and where success is difficult to define. The dominant model is often called the policy governance model and is based on assumptions of separation of power between the board and the CEO/staff. For example, key writers on non-profit management such as Carver (1990), Houle (1989), Fram and Pearce (1992), Powell (1995) and Wright (1992) all provide similar advice. Strategies for management and governance based on this policy governance model look at the board's role as a trustee on behalf of its communities and the board's need to ensure responsiveness to these stakeholders through the articulation of a clear vision and set of values. Topics which dominate this literature are: how to appoint and terminate the CEO, what the respective roles and responsibilities of CEOs and boards are, the separation of policy making from implementation, and generally, how to create more stability and clarity through systems of accountability and vision statements. Assumptions made include: the viability of long-term planning, the value of hierarchy, the ability to avoid power struggles, and that clarity of roles and spheres of influence can be achieved. Critiques of this literature are growing and originate from a number of perspectives. Some of these are briefly highlighted.

1. For many people the policy-governance model limits the ability of non-profits to innovate and change. Policy governance is based on language and frameworks largely borrowed from classical management theory (e.g. top-down control, rational planning, delegation etc.) and as a result it becomes constrained by a managerial or business mindset. The dominance and relevance of the “corporate” model is beginning to be questioned generally (Saul, 1995) and also in the context of non-profits. For example, an extensive review of the impacts of commercialization in the sector has been prepared by Zimmerman and Dart (1997) and they raise many important potential concerns and unintended consequences of adopting this approach. For example, the risk that the board will become less responsive to community needs and more concerned with issues such as productivity and accountability. Or that they focus too much on output measures (e.g. are we serving more people than we were last year?) of effectiveness and ignore input measures (e.g. are we attracting the appropriate members?) and process measures (e.g. are we working together in a way which reflects our values?) of effectiveness. Or that self interest becomes more important than public interest. Dart (2000) describes the adoption of “business-like goals” and “business-like processes” in a small social service agency and the dilemmas and advantages of this approach. Weiner (1998) concludes that the adoption of the corporate governance model by nonprofits is neither feasible nor desirable.
2. The normative literature makes a number of assumptions about non-profits such as that they are gender, race and class neutral (Bradshaw, 1993; Bradshaw & Padanyi, 1997). The literature is largely silent on issues of privilege and discrimination and through these silences assumptions that governance processes are adequately inclusive of all groups are left unchallenged. Opportunities for building more equitable organizations are not explored. Similarly, a celebration of diversity, plurality, paradox, and contradiction or for a feminist engagement with new models of leadership (Odendahl & O’Neill, 1994; Grant, 2003), while common in new management literatures, are rarely heard in the normative literature on non-profits.

3. The dominance of traditional, top-down models of governance and leadership in the field are based on the machine metaphor of organization and it is now being suggested that more space needs to be created to allow for the newer metaphors of organization which the for-profit sector, for example, is engaging. New metaphors which could usefully be considered in these contexts include the self organizing systems (Zohar & Borkman, 1997), storytelling organizations (Bradshaw, 2000a), the cellular organization and the learning organization (Morgan, 1986; Wheatly & Kellner-Rogers, 1996; Hock, 1996; Miles et. al, 1997).
4. Because the normative literature includes so many prescriptive standards it has been suggested that all these, when taken together, represent a “heroic model”. As Herman (1989) argues, few such paragons of leadership can possibly exist and most non-profits fall far short of the ideal model. It is seen as a failure if a non-profit does not work according to the suggested models and alternatives such as the working board (where board and staff work in partnership to carry out the mission) or the membership board (where there is a clear link between the board and the clients/members and board members are both clients and employers at the same time) models (Armstrong, 1996) which are more common in many successful smaller nonprofits are devalued.

### **Academic Literature on Non-profit Governance**

The more academic and empirical literature is less easily characterized as being dominated by a unitary perspective or set of assumptions. Research is being conducted to explore the correlates of effectiveness of boards and while no clear conclusions have emerged there is a growing sense that the dynamics are more complex than the normative literature might suggest. For example, the effectiveness of the board may be impacted by things such as stage in the board’s life-cycle (Dart et. al, 1996; Wood, 1992; Mathiasen, 1990; Born, 2000), and/or the distribution of power between the board and the staff (Murray et. al., 1992), and/or the agency’s culture and organizational structure (Harris, 1989). These types of dynamics suggest the need not for a one-best-way approach but for a type of contingency approach.

At this time no conclusions can be drawn from this empirical research and the lack of consistent and strong correlations along with the difficulty of agreeing on adequate measures of board and non-profit effectiveness mean that we cannot state definitively what dynamics contribute to effectiveness. There is a growing consensus, however, that there is a correlation between board effectiveness and non-profit organization effectiveness (Herman & Renz, 1997; Jackson & Holland, 1997; Green & Griesinger, 1996; Bradshaw, Murray & Wolpin, 1992, Iecovich, 2005). In addition to large survey research we are beginning to see the development of a number of case studies and more in-depth research of non-profits and their boards. From this research a number of interesting alternative perspectives are being articulated. Some of the newer perspectives are: first a functional perspective, second an interpretive perspective and, third a political perspective. Each of these is briefly described below.

- 1) From Saidel (1998), Bradshaw (2000) and others’ perspectives there is no one ideal governance model but there are certain *governance functions* which must be fulfilled by

the non-profit. According to them it does not matter what group performs the governance functions as long as the functions are being performed. The allocation of responsibility for governance functions can thus evolve and change as the organization evolves and as the needs of relevant stakeholders and organizational members change. When combined with the need to adequately ensure that the legal responsibilities of boards are fulfilled this perspective suggests the opportunity for non-profits to be more flexible in shaping and allocating the governance function and structure. This must also be contextualized by the on-going need to ensure that the functions of governance are always being fulfilled adequately by someone or group in the organization (Ostower & Stone, 2001; Widmer & Houchin, 2000; Chait, Ryan and Taylor, 2005).

- 2) Alternatively, from what is called the *interpretive perspective* we see an increasing focus on how members of non-profit organizations interpret and construct meaning about what goes on in their organizations. This approach explores how individuals come to understand and make sense of what they see and experience and that this process of reality construction is a dynamic between individuals, in such a way as to construct a shared sense of what is going on. Heimovics and Herman (1990), for example, suggest that the way that CEOs and board members attribute the success of organizational outcomes is based on a construction of reality which is influenced by myths, symbols, language and images.

Also from this perspective Smith (1992) describes one role of trusteeship as being a "community of interpretation". Thus the boards' role is more than fundraising and hiring the CEO and it also involves it in efforts to reconcile the past with the present in a reflective way. Smith argues that trusteeship disappears when "trustees think of themselves simply as instructed delegates of voters, managers, or appointing bodies". The interpretive role involves defining the organization's mission and helping to define and redefine it as the needs of those being served change or the environment shifts in other ways. Given the creative nature of the interpretive process trustees can shape a definition of reality about governance which is different from the dominant definitions of governance as long as the legal requirements are fulfilled and as long as all members share the vision and definition of reality which is created.

- 3) From a more *political perspective* we see an emphasis on acknowledging that boards and non-profits are contested domains and a more explicit recognition of different relations of power. We now understand that power can be differentially distributed between board and staff and the research seems to indicate that the actual distribution of power between board and staff does not impact on success or failure of the organization (Murray et. al., 1992). This suggests that there is a wider range of possible alternatives for sharing power than are suggested in the normative literature. Change in power relations are a matter of choice and can be negotiated between the relevant parties interested in governance issues. In fact, the research suggests the need to constantly renegotiate the allocation of power, influence and responsibility as the organization grows and the context changes. Explicit discussions of the power of the various stakeholders and how to balance, share, and distribute this power is important.

## **Framework**

Having reviewed the normative and academic literatures on governance in not-for-profit organizations we concluded that there was no consensus about an ideal way of governing non-profit organizations. We believed the lack of consensus in the literature was healthy for the field. With the rapid changes and environmental turbulence facing governments, as well as, for and not-for-profit organizations such diversity provides the type of flexibility and adaptability which we require in both management and governance in order to thrive. This diversity is especially beneficial for non-profits which are embracing new technologies and approaches to management or are committed to alternative ideological frameworks such as feminism. It allows non-profits to make strategic choices and to innovate in approaches to governance. In this section of the paper we articulate four models of governance we conceptualized as characterizing the range of models of non-profit governance.

In Figure 1 we present the four models and each is positioned differently along two dimensions which we conceptualized as underlying the field within which we had the challenge of developing a governance model. The typology created helped us conceptualize options and we used it to help us train board members about the differences between the model developed and other boards they may be on or have otherwise experienced. Thus the dimensions are best seen as a heuristic device. The first dimension is “established” versus “innovative” and this recognizes that some models of governance are explicitly, and often implicitly, more oriented toward sustaining continuity within the organization and in perpetuating established ways of doing things. On the other hand are models of governance which are more open to change and innovation whether that change is toward increased efficiency or toward fundamental social change. The second dimension is “unitary” versus “pluralistic”. With this dimension we are attempting to reflect whether the model applies to a single organization or to a network or group of related organizations, stakeholders, and constituents.

Based on these two dimensions we identify four basic models of governance. The Policy Governance Model (top, left quadrant) applies to single organizations and tends to be focused on a situation of stability and established ways of working. The Entrepreneurial Model (top, right quadrant) also applies to the single organization but it has more of a focus on innovation and change, often in the direction of more efficiency and effectiveness as in the entrepreneurial or corporate fields. As we move away from the models which deal with the single organization we find the Constituency/Representative Model (bottom, left quadrant) which addresses groups of associated organizations by having representatives of each on the board and has a fundamental valuing of established ways of working. In the final quadrant is what we call the Emergent Cellular Model which is the least well articulated in the field. We conceptualize this model as multi-stakeholder or multiple organizations connected in a distributed network with a commitment to innovation and flexibility. In the following sections we briefly describe each of the models and the dominant characteristics of each. We also briefly assess the strengths and weaknesses of each model.



## **1. Policy Governance Model**

This model focuses on the single organization and clearly distinguishes between the leadership roles of board and chief executive officer (CEO). The board's role is one of stewardship on behalf of its communities. In order to fulfil this role, the board focuses on the vision, mission, values and strategic priorities of the organization, ensures responsiveness to community stakeholders, and empowers staff to carry out the mission within established limitations. The CEO provides operational leadership in managing the organization to fulfil its mission. The board monitors and evaluates the CEO's performance according to its policies. The board governs the organization by articulating and documenting broad policies (for example, ends, executive limitations, Board-CEO relationships and governing process policies; Carver, 1990).

The positive features of this model, when it is working effectively, are:

- < There is increased clarity of roles and responsibilities, vision and accountability.
- < The focus on outcomes and results leads to increased accountability.
- < An external focus connects the board with other boards and stakeholders.
- < The leadership role of the board can be satisfying for board members.
- < This model liberates, empowers and supports the chief executive officer.
- < The board engages in systems activities by scanning the environment, becoming familiar with "big picture" issues as well as major internal trends and entering into partnerships with other stakeholders.
- < The board takes on the responsibility of ensuring adequate resources are available to accomplish the mission (fund raising).

In addition, this model meets external legal requirements and has become a familiar and comfortable framework for many non-profit organizations over the last few years. The down sides of the Policy Governance Model are becoming more evident as organizations are experimenting with this model:

- < Board and staff relations may be vulnerable and disconnected because of the emphasis on separate and distinct roles. This can interfere with developing a productive board/staff partnership.
- < The board often feels disconnected from programs and operations—operational information is less relevant in this model.
- < Staff often mistrust the board's ability to govern because of a perception that the board does not understand the organization's operations. Links between policies, operations and outcomes are often tenuous.
- < Board or executive may exercise their power in overriding the other's role. Power is concentrated in the hands of a few.

This model can be self-limiting in its ability to embrace evolution and change because it assumes one vision (to be articulated and achieved) and it solidifies/perpetuates the status quo through its policy framework.

## **2. Constituent/Representative Board Model**

In this model there is a direct and clear link between the organization's board and its constituents. The constituents are usually represented on the governing board and participate in policy development and planning. This participation benefits the constituents by offering them

control over policy decisions through their board representative. These boards typically range in size from about fifteen to over forty members. Strict policies govern the composition and election/appointment of board members representing specific constituents. This model features centralized decision-making with decentralized input and it implicitly values stability in its operations.

The board's relationship to the CEO is not always clearly defined and is vulnerable to changing expectations with changing representatives on the board. Within the larger size board, the board/CEO relationship tends to be similar to the policy governance model, i.e. the board empowers the CEO to manage the operations of the organization within the limitations set by the board. At times the roles and responsibilities of board and constituents are outlined in written documents of agreement.

The positive features of this model, when it is working effectively, are:

- < There is a broad base of participation and power is decentralized.
- < This model allows a vision to emerge that is inclusive of constituents' perspectives.
- < Constituent energy and participation is generally decentralized into committees which are action oriented.
- < Communication is emphasized because of the need to involve large numbers of diverse stakeholders.
- < The board tends to have a pulse on "big picture" issues as a result of the broad based input by constituents.
- < The challenge of dealing with multiple interests and the resulting conflicts is recognized and addressed in a variety of ways (some ways are more successful than others).

The down sides of the Constituent/Representative Board Model are at the opposite ends of some of the Model's positive features:

- < Because communication is a key cornerstone for this model, there are pressures and demands for communication to be timely, adequate, consistent, clear, accessible, etc. These pressures often create difficulties in meeting high constituent expectations.
- < Energy can be dispersed throughout a large number of committees and activities and therefore become unproductive.
- < The vision often loses focus and commitment by the board as board members turn over and other constituency interests come in.
- < Conflicts which are a natural and common feature of a multi-interest group do not always get resolved and can damage board relationships.
- < With representative interests and positions, there is a tendency to pursue self-preservation rather than shared interests.
- < The model generally requires some form of written contract that needs to be renewed regularly to keep it in force.

### **3. Entrepreneurial Board Model**

The Entrepreneurial Board Model is often referred to as the business or corporate model of governance. Within this proposed framework, this model has a particular emphasis on innovation and often this appears as a focus on efficiency and effectiveness measures which push the organization to achieve a maximum return on its "investments". In this model, there is an explicit recognition of stakeholder self-interest. Rewards are clear and there is a dominant culture which expects the survival of the "fittest" and an entrepreneurial spirit of innovation. The entrepreneurial model maintains a constant market orientation to find opportunities and competitive advantages. More often than not, long-term strategic plans are driven by an annual focus which emphasizes a short time horizon and a relative immediacy of return, versus a longer-term perspective and vision. Innovation is recognized as an opportunity to leverage proprietary gains. Market share and niche dominance are highly valued. "Investors" in the organization are proportionately represented in its governance through a shareholder structure which elects the Board of Directors. The Chair of the Board of Directors often acts as the Chief Executive Officer of the organization, and it is common to find the Board working at the level of Ends, Means and Limitations policies as a focus for the work of the Board and its subsequent direction to the organization.

The positive features of this model, when it is working effectively, are:

- < Participants' efforts are clearly focussed on the "business" of the organization.
- < The organizational culture explicitly emphasizes efficient and effective work processes.
- < There is a widespread sensitivity to "business" related changes in the "marketplace"
- < Leadership and resources are allocated to recognize and readily adopt best practices.

The down sides of this model, particularly for non-profit organizations, are not yet fully known but are speculated to be:

- < A disproportionate focus on bottom-line returns to one organization does not ensure focussed attention on common marketplace interests or changing social conditions.
- < The consideration and quality of inter-organizational partnerships are measured by returns to specific investors and not to the collective benefit generated for consumers.
- < Broad-based societal needs are often discounted. There is no particular incentive for innovation on behalf of public gain.
- < Systemic social and community changes do not lend themselves to short time horizons for organizational business plans.

### **4. Emergent Cellular Model**

What we are calling the Emergent Cellular Model is characterized by distributed networks and continuous and organic innovation. This model is evolving from the network form of

organization which allows for flexibility and responsiveness to information. Cellular organizations are made up of cells (self-managing teams, autonomous business units, operational partners etc.) that can operate alone but that can also interact with other cells to produce a more potent and competent organizational mechanism as well. It is this combination of independence and interdependence that allows the cellular organizational form to generate and share the know-how that produces continuous innovation (from Miles, et al, 1997). The newer thinking in chaordic organizations and self-organization provide a perspective on likely characteristics of this new model.

An example may help the reader understand the potential of this model since it is so new and is currently not well developed either theoretically or in practice. We know of a new organization dedicated to advocacy on cancer care which is currently working to develop an emergent cellular model of governance. Their governance model is being called the “organic mobilization model” and is based on the metaphor of healthy, non-cancerous cells in the human body. This metaphor is being called on to guide the organization not just because it is dedicated to advocacy on cancer issues but because of the characteristics of healthy cells. Healthy cells grow, replicate and ultimately die. In contrast cancerous cells cannot die and are characterized by unbridled growth. Similarly, healthy cells can communicate with other cells around them and have a tumour suppressing genes (e.g. P53). Often traditional organizations, much like cancerous cells, proliferate and lose the ability to communicate effectively. Sometimes they lack the organizational equivalent of P53 genes and this can lead to organizational rigidity, top-down control and the loss of the ability to adapt and respond quickly to environmental shifts and changes. For example, task forces and committees get set up to deal with a specific issue but then they don’t know how to end and so long after the original task is completed they continue to meet. In so many cases the means to a particular end becomes an end in itself. These self-perpetuating dynamics can create inflexible systems and organizational forms (Zimmerman, 2000).

For this advocacy organization a traditional model will not be flexible enough to allow it to respond to emerging issues and adapt to changing political, medical and social trends. They see that the metaphor of healthy cells and the “organic, mobilization model” will be more appropriate for the long term success of the organization. They hope that the organization and the board will be able to have specialization in the form of task forces around particular emergent issues which will then disband and reform as the needs shift and change. Different configurations of organization can be created and recreated. Some of the principles of such an organic organization include emergence, responsiveness, self organization and proactive re-configurations based on issues and problems.

Operationally this will mean extensive use of distributed groups (e.g. to run the local forums) or nodes in a network integrated through technology (e.g. e-mail, teleconferencing, web site etc.). Issues can be identified from both the centre and the regional, distributed cells. Communications will be essential as will a strong set of shared values and mission which will work like the DNA to ensure the integrity and vitality of the whole organization as it reconfigures to respond to demands. The core of the board will be relatively small to facilitate meetings and effective use of technology. Ideally the core of the board will be only 6 to 10 people. The core board will invite and draw on additional people to participate in the governance function as is helpful to sustain

organizational effectiveness. For example, during retreats and strategic planning session additional invited experts or individuals with unique perspectives and experiences can and will be invited to participate as full members of the session. There will be several different formats of meetings for the board. As much as possible (both logistically and financially) these meetings will be held at geographically dispersed locations. The meetings will be the following:

***Annual General Meeting-*** once a year there will be an AGM where members will vote on the slate of proposed new board members and where the newly formed board will meet after the AGM .

***Retreat and Visioning Meeting-*** once a year the board and staff will meet face to face to do strategic planning and visioning. This meeting will be longer (a day or two). Invited experts and people with particular perspectives will be invited to join the meeting

***Twice a Year Tele-Conferenced Meeting of the Core Board*** - regular board meetings to attend to the regular work of governance.

***Between Meetings, On-going Dialogue and Networking*** - board members and key staff will be networked electronically in order to deal with issues that emerge between meeting and in order to communicate about emerging trends and organizational options and decisions of a strategic or policy nature.

***Opportunistic, Cellular Meetings*** - occasionally board members may be able to take advantage of meetings which piggy back on other events or meetings. A quorum of board members will be required to make decisions and minutes taken so those not attending can be kept informed

While there are not yet many examples of emergent cellular governance in operation we believe the positive features of this model, when it is working effectively, are:

- < Organic and flexible structures that adapt to changing external and internal issues and dynamics, for example, emergent and ad hoc committees set up to deal with new issues.
- < Capacity for dissolution and disbanding of structural elements (e.g. board staff committees when their function is no longer required). Board monitors the environment; challenges deeply held assumptions and acts as a catalyst for change as needed.
- < Reliance on distributed networks and technological innovations to ensure systems of rich communication.
- < Decision making characterized by power sharing and mutual interdependence.
- < Partnerships and growth through alliances, networks and innovative relations.
- < Issues driven strategic planning processes that balance both local, decentralized concerns and centralized, global issues.

The down sides of this model are:

- < The newness of the model means that there are few examples in the field and little literature to draw from.
- < Requires strong and values based, charismatic leadership at both board and staff levels to ensure the integrity of the model.

- < Significant negotiations may be required to sustain partnerships in a context of unequal power.
- < Easier to establish in a new organization
- < The presence of multiple organizational foci may be problematic for those who require specific and predictable parameters over time.

### **A New Hybrid Model**

As a group we reflected on the four models of governance which we had conceptualized and on the type of organization we were working with at the Canadian Health Network. Given our belief in the importance of using a contingency approach we decided to assess what we thought were the most critical characteristics, values, and approaches from each model. We agreed that from the Policy Governance Model we needed the clarity of roles, responsibilities, and vision and the focus on ends particularly given the major funder was the Federal Government. Within the Constituency/Representative Model we highlighted the need for representatives from various stakeholder groups and the broad base of power, the emphasis on communication, expanded accountability, diversity, and the priority to conflict resolution processes. This model was also identified as one capable of fostering wider support and financial contributions. The Entrepreneurial Board Model was valued for its efficiency focus, the drive to get things done in a "business-like" way, and the emphasis on innovation. Likewise the Emergent Cellular Model had characteristics which we valued such as pluralistic visions, adaptability, a minimal starting structure, and an emphasis on knowledge and relationships particularly given the values of this organization. After this review we concluded that no one model was a perfect fit for the context we are working in and that this implied the need and opportunity to create something new which captured the best elements of each model. We decided to develop a hybrid governance model to fit the values, context and approach of the CHN.

This process required a willingness to step outside the existing ways of doing things and an ability to creatively embrace the tensions which are inherent between the values of the various models. We believed that the hybrid model must be one that could withstand such tensions so that no one set of values and assumptions became dominant and overwhelmed the others. If this happened, the board, while espousing something new, was at risk of slipping back into a more conventional model. It would likely fall back into the Policy Governance Model because it was so dominant in the field and because within the funding organization this is the established way of creating governance bodies. Given our focus on tensions we came to call this hybrid model the "Vector Model". The picture we held in our heads is of a bungee cord or large elastic which had four strands connected from a centre ring. A vector is a concept from mathematics and it is defined as a quantity having both magnitude and direction which helps determine the position of a point in space relative to another point. It is symbolically represented by an arrow.

Thus, we saw four vectors pulling away from the central hybrid model we were creating. Each vector pulls toward one of the four foundational models presented in Figure 1. The amount of force pulling toward each corner shapes the circle in the middle. Ideally the governance model we were creating would hold its shape and be balanced between the four separate models. If one of the corners or models exerted a stronger pull then the shape of the circle would be skewed and one of the vectors would be pulling the governance function off centre. For example, the

governance function could lose some of its innovativeness and diversity if the pull from the Policy Governance model, in the upper right quadrant, got too strong with its corresponding demand for more accountability and more clarity about rules, policies, and procedures. Similarly, if the various partners, affiliates, and other stakeholders started to demand more representation on the board, the pull from the constituency model in the bottom left quadrant would be pulling the board off its balance point. Each quadrant or model has its own values, assumptions and inherent pulls and the members of the board would be required to be vigilant to keep the governance function in balance. The metaphor suggests that the bungee cords attached to them must be balanced. If the pull for established ways of operating got too strong then the counter force of innovation must be introduced through vision and creativity. Likewise if too much innovation pulled the organization out of shape then more mechanisms of accountability and stability would need to be reintroduced.

The Vector Model, as we saw it, was resilient and flexible and demanded constant dancing with the tensions or pulls between competing assumptions and values. It would not get stale or static. In fact various stakeholder of the organization held the values of the four quadrants because of their natural interests. For example, Health Canada and the Federal Government, as the funder, were comfortable with and interested in clarity, accountability, and procedures associated with the Policy Governance Model. The 500 affiliated members were concerned about representation and voice at the table as traditionally dealt with by the Constituency Model. Possible new funders and partners from the private sector helped hold the Entrepreneurial Model vector. Meanwhile the leaders and founders of the network who valued networks, emergence and cellular models held the vector from the bottom right connected to the Emergent Cellular Model. Some other characteristics of the Vector Model are listed below.

## **1. Evolutionary**

The governance structure was seen as evolving over time. At first the process was guided by the principle of minimum critical specifications which provided the opportunity to maximize flexibility of operations while still meeting the legal requirements for governance. This minimum compliance with the legal requirements allowed the governance functions to evolve and change as the needs of the organization change. A phased approach recognized that the governance systems would become more complex, structured, and organized as it evolved and we tried to see this as a positive context for management rather than as a threat or problem.

## **2. Form and Membership**

Some of the questions which we articulated about board form were: How to be simultaneously accountable and efficient and organic and evolving? How to be broadly representative and not overly large and difficult to work in? How to be accessible to a broadly diverse constituency across the country? How to work with differences of opinion and inevitable conflicts particularly given differences in size and power of various partners and affiliates? To balance these competing requirements the board had a core of twenty members who sat for specific terms (3 years) to provide continuity. Other members were invited to join the board once or twice a year for specific meetings around specific topics in a more fluid and organic way. Thus CHN had a core board and an extended board to ensure broader participation. This expanded group drew on a range of representatives from the community to work through a focused process of searching the

environment and challenging the vision of the organization. The members of the expanded board brought different perspectives on topics which were chosen to challenge the strategic thinking of the system. Similarly the board has co-chairs and originally two were from the NGO community and one from the government.

### **3. Process, Pace and Topics**

One of the functions of governance in this organization was to challenge the way the managers and others, most closely working in the network, were defining the mission, structure, and goals of the system. The role was to provide a broader perspective, to ask the frame breaking questions, and to provide outside perspectives in order to shape the identity of the emerging system. One way of enhancing this process was to hold the board meetings in different geographic locations around the country. Different nodes in the network or centres were to be asked to host one or two meetings a year. Staff were seen as integral members of the board and had a clear role and function in relation to governance.

Likewise, the agendas of the board meetings were to be structured to both deal with the on-going issues of governance, such as reviewing the financial statements and budgets, and assessing the effectiveness of management (i.e. to ensure the board and organization are business like and efficient) and to also deal with special themes/topics. With a broad and challenging list of special topics and a diverse membership on the extended board, the range of perspectives brought to the table was to be diverse and forward/outward looking. Members of the various constituent groups and other stakeholders could also suggest topics for the non-routine segments of the meetings and representatives of relevant groups were invited to join the extended/expanded board. The challenges in such a complex and richly diverse organization were to keep pace with changes in the environment and to sustain continuity. The vision must be informed by rapidly changing dynamics in an information rich world.

### **4. Dealing with Conflicts and Power Differences**

We knew that boards that were attempting to be representative were confronted with difficult challenges in managing conflict and power. It was essential for the board to have processes to embrace conflict and to self-reflectively engage with the implications of disagreement in an ongoing and creative way that sustained the organization rather than immobilizing it. Consensus decision making was to be strived for on all policy decisions and consensus was defined as every board member's views being heard and them concluding that they can support the decision being made. In cases of no consensus, however, a two-thirds vote was to determine the outcomes. Failure to reach the required number of votes meant the topic was reintroduced for further discussion. Given the inevitability of conflict the Principled Negotiations Models was adopted as a preferred way of resolving disagreements.



## **5. Sustaining Leadership, Learning and Adaptability**

In order to creatively engage the opportunities and challenges of on-going governance self-assessment and learning were identified as key values of the governance function and built into the processes. Only through on-going learning could the board continue to be both accountable and adaptable. Members were selected on conventional criteria such as representativeness of various groups and skills such as strategic planning, conflict management, and financial analysis. Other criteria based explicitly on personal characteristics such as the capacity to tolerate ambiguity, the ability to engage in systems thinking, leadership experience in complex, adaptive systems, and the ability to see and name patterns of emergent opportunity were defined. Also, preferred were people who valued participation, power sharing, social change, and innovation. Such characteristics were seen as essential to holding the tensions in the Vector Model.

We found board members were on a steep learning curve in this model of governance and that sustaining the model took commitment and patience. The ability to engage in conceptual thinking and to step back and see the big picture was required. A type of “helicoptering” up to reframe the process and reflect on the dynamics was helpful, as was a vision of new models of governance. Directing attention, focusing energy, and holding the tensions were seen as essential skills.

## **6. Primary Functions of the Board**

We defined the primary functions of the board and attempted to keep the flavour of the hybrid form with the inclusion of emergent cellular organization form.

### ***Outreach***

- environmental scanning, monitoring emerging trends, needs, expectations and problems
- soliciting input from a broad base of stakeholders through the expanded board meetings

### ***Stewardship***

- challenging the framework and vision of the organization
- maintaining a forward looking perspective
- ensuring the evolution, capacity and robustness of the organization so it stays organic and does not become solidified

### ***Overseeing of Operational Structure and Operations***

- accountability functions
- fiduciary responsibility broadly defined
- check and balance on operations within a policy governance model
- protecting the integrity of the system
- holding the tensions between a results orientation and a process orientation

### ***Ambassadorial and Legitimizing***

- promotion of the organization to the external communities based on the vision of the system
- ensuring the interests of a broad network of stakeholders are represented
- board members lend their positional, professional and personal credibility to the

organization through their position on the board

### ***Self Reflection and Assessment***

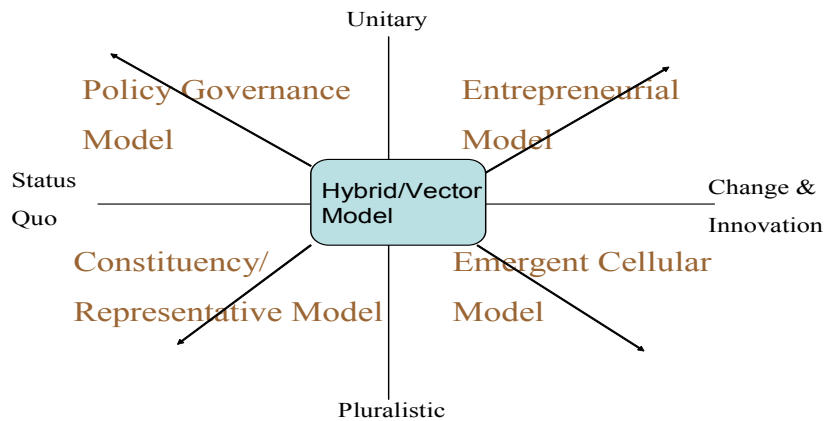
- regular reviews of the functions and effectiveness of the board itself
- assessing the level of trust within the board and the quality of the group process

### **Conclusions**

In this paper we have attempted to illustrate a process of thinking which we went through as a group. We were excited about this process because it allowed us to break out of the box and think about non-profit governance in new ways. Ultimately, the primary funder of CHN decided that the hybrid model was not one which they were comfortable with and the Board returned to a more traditional Advisory Board. Despite this outcome the process we went through and the articulation of a range of possible models had resonance in the voluntary sector. Our process of liberation from the dominant approaches to governance was based on a number of steps which we have attempted to demonstrate in the paper. Firstly, we reviewed the literature and instead of focussing on the points of agreement or consensus in the field we identified the points of disagreement and the range of alternative perspectives which simultaneously exist. We did not attempt to rank or evaluate these perspectives but rather we conceptualized them in the framework presented in Figure 1. After assessing what we saw as four distinct models we assessed the strengths and weakness of each and decided to apply a contingency approach. Given the environment, technology, managerial philosophy, and structure of the Canadian Health Network, we then proceeded to play and create. The outcome is what we call a hybrid or “Vector” model. While recognizing the minimum critical specification for governance in Canada, which was primarily legal constraints, we then designed a governance model which we felt would best meet the needs of the organization.

Our goal in writing this paper is to encourage others to innovate and experiment with new governance models. We do not think the dominance of any one model is healthy for the field of non-profit governance and we see the emergence of plurality and diversity as a strength and as essential for the resilience of the sector. Especially for organizations which fall outside the traditional models of management and which hope to create alternatives to the existing social order, such innovation is important.

### **Figure 1 - Four Models of Nonprofit Governance**



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