

## Different Types of Governance Models

*Adapted from the article "Building Effective Approaches to Governance" by Mel Gill, The Nonprofit Quarterly*

Governance plays an important role in determining how many organizations function. A definition of governance is "the processes, structures and organizational traditions that determine how power is exercised, how stakeholders have their say, how decisions are taken and how decision-makers are held to account."

There is ample anecdotal evidence that the work of nonprofits usually continues in spite of flawed governance. The job still gets done! Yet there is also evidence that governing boards can enhance organizational performance by understanding and undertaking the governance role in a manner suitable for their particular organization.

They carry the public (or customer) trust and provide an accountability structure for management. The importance of governance grows as the level of public interest and investment in an organization grow.

There is not one coherent, flawless "model." Few nonprofit organizations use the traditional model where the board governs and oversees operations through committees established around functions (finance, human resources, programs), and delegates the management of those functions to the executive director.

Many boards employ "hybrid" practices, a mixture of practices that uniquely suits their organizations. Many of the "rules" contained within rigid, prescriptive models, such as Carver's Policy Governance Model, fail when applied because they are not easily adaptable to unique organizational circumstances.

To help leaders make better choices, they should understand the different theoretical basic governance models listed below.

**Operational Model:** The board manages, governs and performs the work of the organization.

**Collective Model:** The board and staff operate as a single team when making decisions about governance and the work of the organization. Board members may work with either or both service operations or management functions.

**Management Model:** The board manages operations through functional committees that may or may not have a staff coordinator.

**Constituent Representational Model:** An approach used by publicly elected officials. Federations or other constituency-elected boards have the primary responsibility of balancing the interests of their constituents with the best interests of the organization.

**Traditional Model:** The board governs and oversees operations through committees established along functional lines (finance, human resources, programs) but delegates the management functions to the executive director.

**Results-based Model:** The executive director is a non-voting member of the board, carries substantial influence over policy making, and is viewed as a full partner with the board. Committees, organized around board responsibilities and lead planning, would guide governance, and monitor and audit performance of the board, executive director and organization.

**Policy Governance (Carver) Model:** The board governs through policies that establish organizational aims (ends), governance approaches, and management limitations. These policies also should define the relationship of the board with the executive director. The executive director has broad freedom to determine the means that will be used to achieve organizational aims.

**Advisory Board Model:** A board selected and dominated by the executive director. This board provides prima facie legitimacy to the organization but governs only in a nominal sense. Board members provide advice and may rubber-stamp the executive director's recommendations.

Carver's distinction between board-established organizational "ends" and management-driven "means" of implementation has helped many organizations clarify the respective roles of their board and executive director. There is something in every well-functioning organization that author Cyril O. Houle has called the "zone of accommodation" which is the overlap of roles (governance, management and staff work).

These roles need to be negotiated and remain flexible. For instance, boards and executive staff need to partner to establish the goals ("ends") for an organization. Many boards can't develop "ends" policies on their own without the executive director because they don't know enough about the organization and its internal workings.

Most nonprofits function with \$100,000 or less, and almost 50 percent of organizations operate with \$50,000 or less. Therefore, the majority likely has board members managing in some way in addition to governing.

Realistically, small organizations don't have a full complement of managers or staff. Within a span of five minutes, a board member may have to wear all three hats in order to make a decision to develop a major donor program (governance), reconcile the month's accounts (management), and design an event leaflet (staff work).

Sometimes too much hands-on involvement is not beneficial. For example, an organization with an annual budget of \$10 million had board members who were super-managing programs and reporting directly to the board. Managing in this way was effectively cutting out the executive director.

Clear agreement between the board and executive director about their relationships and respective roles is essential to an effective governance partnership. The size of a group and its complexity and geographic scope, as well as personal or political agendas of board members are all factors that influence a board's approach to governance.

Still, much of a board's success is evident through the quality of relationships among its members and with the executive director. In some cases, dialogue may be just as important as structure.

The results-based approach to governance is one type of an emerging hybrid model. The model employs a small number of committees structured around governance rather than management responsibilities.

The executive committee (poorly used in many nonprofits) is responsible for leading strategic planning and evaluating the executive director's performance. A "governance committee" is responsible for the regular review of bylaws and governance policies and practices as well as board member recruitment, development and evaluation.

Risk management and quality audit committees help establish clear measures of organizational performance in key areas. This committee also should monitor and audit performance and report on results. The ends/means duality is maintained through a flexible partnership between the board and executive director.

The results-based approach moves away from the more traditional governance approach where a board organizes committees around management functions.

In nearly every successful governance model, the governing body will be responsible for the following:

- Creating a vision,
- Securing resources,
- Defining clear roles and responsibilities,
- Establishing benchmarks for performance and monitoring them, and
- Being accountable to key stakeholders

Most nonprofit leaders know that every organization has its own culture and unique set of circumstances. Determining a governance approach that's right for a particular organization clearly requires more than simply selecting a model from a menu of available options.

It requires a creative use of practical knowledge and a basic understanding of how various concepts of governance will best fit a particular organization.