

## **The Road Less Traveled: Establishing the Link between Nonprofit Governance and Democracy**

Written by Chao Guo and published in the winter 2012 *Nonprofit Quarterly*

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

This failure to establish the link between the governance of nonprofit organizations and the interests of the broader public is a disconnect that is reflected in both the theory and the practice of nonprofit governance. Where theory is concerned, research on nonprofit governance is strongly influenced by research on corporate governance and dominated by such theoretical approaches as agency theory and resource dependency theory. Relatively little attention has been paid to democratic and critical approaches that look into the embedded power dynamics that influence who is allowed access to organizational decision making: whose voices get heard and whose get left out. Where practice is concerned, we see a "democratic deficit" in board governance—that is, an absence of democratic structures and processes.<sup>1</sup> Many nonprofit boards fall short of being broadly representative of the public. They tend to be limited to upper-income, professional employers and managerial persons, while the community has little or no representation. In addition, while some nonprofit boards do little beyond rubber-stamping the actions of their executive staff, others are prey to the "iron law of oligarchy," where decision-making power is concentrated in a small number of non-elected board members and the executive director.

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

### **Democratic Approaches to Nonprofit Governance: Representation and Participation**

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

**The representational approach.** Jeffrey Berry, a leading advocate for this approach, makes the forceful statement, "Governance questions are questions about representation."<sup>2</sup> Scholars in this line of work are concerned with how well the views of constituents and the larger community are represented within an organization. Most of the existing studies have used Hanna Pitkin's

conceptualization of representation as a general analytical framework.<sup>3</sup> Pitkin defines representation as a multidimensional concept and identifies four important dimensions: formal representation (how organizational leaders are selected by constituents); descriptive representation (how organizational leaders mirror the politically relevant characteristics of constituents); substantive representation (how organizations act in the interest of constituents, and in a manner responsive to them); and symbolic representation (how an organization becomes trusted by constituents as a legitimate representative). The formal and descriptive dimensions of representation in Pitkin's model in particular serve to ensure that certain representative mechanisms are available in their governance structures to retain such equality and control of decision making by their constituents and the larger community.<sup>4</sup>

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

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

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

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

## **Participatory Representation: Convergence of the Two Approaches**

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

In view of the complementary relationship between the two, Juliet Musso and I extend Pitkin's conceptualization of representation by adding another dimension—participatory representation—which entails direct participatory relationships between organizational leaders and their constituents, and which focuses on maintaining a variety of channels of communication with constituents. Examples of participatory representation include such practices as communicating decisions to constituents, obtaining statistical information about constituents and the larger community, inviting constituent input through user forums and advisory and consultative groups, and engaging constituents in strategic planning and decision making.

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

## **Concluding Remarks**

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

This is an exciting time for civil society in that there seems to be renewed interest in public deliberation and collective action. At the same time—perhaps driving this renewed interest—information and communication technology has begun to unleash new possibilities for democratic governance. Social media are equipping organizations with the opportunity to instantly communicate with a broader range and new generation of constituents and engage them in joint

action. Nonprofit governance is no longer limited to the boardroom; it is reaching out to people, partners, and communities like never before. In the dawn of a participatory revolution characterized by the power of the Internet and social media, an organization that fails to recognize and address the democratic deficit in its governance will be left behind. And, if the sector as a whole does not recognize that there is a tremendous unrealized potential for nonprofit governance to contribute to democracy, it could cost the sector quite dearly over time.

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## Notes

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

<sup>2</sup> Jeffrey M. Berry, “An Agenda for Research on Interest Groups,” in *Representing Interests and Interest Group Representation*, eds. William Crotty, Mildred A. Schwartz, and John Clifford Green (Lanham, MD: University Press of America, 1994), 21–28.

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

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

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

<sup>6</sup> Ruth McCambridge, “Underestimating the Power of Nonprofit Governance,” *Nonprofit and Voluntary Sector Quarterly* 33, no. 2 (2004): 346–54, [nvs.sagepub.com/content/33/2/346](http://nvs.sagepub.com/content/33/2/346).

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

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## Further Reading

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

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