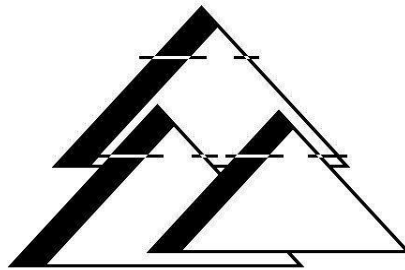# Dynamic Governance
for Nonprofit Organizations

by John A. Buck and Jerry Koch-Gonzalez

Dynamic Governance for Nonprofit Organizations

This article explains how the principles of dynamic governance, aka sociocracy, apply to nonprofit organizations, and serves as a supplement to the article "The Creative Forces of Self-Organization." We appreciate your support in improving how we communicate about dynamic governance. Please send your comments on this article to Contact@SociocracyConsulting.com.

For-Profits and Nonprofits: Underlying Similarities

What are the similarities between a traditional nonprofit organization and a for-profit one? Both must, over time, take in enough money to break even at the least – or they go out of business. Both therefore seek to take in more money than they spend. Both, if they are larger than just a few people, will have a hierarchical structure to get the work done, ranging from the big-picture work of the board to the concrete work of the line staff. Neither traditionally includes the well-being of its workers as a primary function.

For-Profits and Nonprofits: Underlying Differences

The main differences are ownership and purpose. The owner(s) can take money (dividends) from a for-profit company, sell shares, or sell the company. In contrast, the leadership (board) of a nonprofit organization is a kind of guardian for the organization – a steward for the resources intended to serve the public good. The primary function of for-profits is to deliver profits for their owners. The primary function of nonprofits is to deliver the social benefit for which they are chartered. In addition nonprofits usually face a greater complexity in both producer and consumer relationships. These differences make nonprofits more challenging to manage than for-profit companies. Dynamic governance suggests special strategies to address those challenges.

The Challenge of Complex Producer Relationships

In a for-profit company, paid staff are the producers. People do not volunteer for a for-profit company because they don't want to work for free to enrich someone else. A nonprofit will typically use volunteers in addition to paid staff in the production and delivery of its services. These volunteers may serve anywhere in the hierarchy, usually both at the highest (the Board of Trustees) and at the lowest (the actual delivery of service) level. Volunteers are a kind of investor. They invest their time and skills to support the social purpose of the nonprofit. Like a traditional investor, they expect a return on their investment – but not in the form of money. The primary return for a volunteer is the satisfaction of making a meaningful contribution.

Dynamic governance suggests including volunteers in the organization's governance structure:
- Incorporate volunteers into existing organizational circles, or into circles of volunteers that are double-linked to an organizational circle. Participation in a circle provides volunteers a say in their work and the work of the organization.
- Clearly outline volunteer job descriptions: what the volunteers do and the intended outcomes. The organization needs accountability from volunteers, meaning a commitment to a clearly defined activity within a specified time period. "Pay" the volunteers with information about the impact of their contribution. This constitutes a feedback process that is an important part of dynamic governance.
- Identify any other benefits volunteers will receive (discounts, reference letters, public recognition, professional development, mentoring, etc.).
- Sign a contract with volunteers. In effect, treat the volunteers in the same way as paid staff in the context of work expectations, performance reviews, etc.

Case Study #1: A large nonprofit that provides certification standards, and that educates and advocates for environmentally green practices, found it challenging to keep its volunteers engaged and happy. We encouraged each chapter around the USA to do the following:
- Define the volunteers' jobs carefully.
- "Hire" the volunteers to perform those jobs and be specific in the job interview as to what the volunteers would get in return for their work.

Many of the environmental organization's chapters saw (a) a significant improvement in the numbers of members who began participating as volunteers, (b) an accompanying reduction in burnout among the core volunteers who had typically been doing all the work, and (c) increased efficiency and effectiveness in the work of paid staff managing volunteers.

Case Study #2: A citywide community dance organization had a similar experience as a result of a concerted effort to define their volunteers' jobs. As they adopted a sociocratic structure, they reorganized into clearly defined committees. They created a "career path" for volunteers who helped program the music and organize the dance venues. Over time, the core organizers felt more relaxed as more hands appeared to do the work.

The Challenge of Complex Consumer Relationships

In a typical for-profit business, clients/consumers come in the figurative door, buy a product or service, and then leave. Relationships may be friendly, but the boundaries between the sellers and the buyers are clear. Furthermore, feedback is fairly direct when the client/buyer is unhappy: clients complain, demand their money back, or don't return to do further business.

A nonprofit, however, typically receives payments to provide a service to someone other than the persons making the payments. In this case, there are multiple clients: those who are receiving the services directly (students in a school, youth in afterschool programs, homeless families in a shelter, etc) and those who are receiving services indirectly (parents, donors, foundations, etc.). The indirect clients are usually paying/contributing to have services delivered (parents paying tuition or fees, foundations/government agencies giving grants and/or technical assistance, small and large donors wanting to see something done).

Dynamic governance suggests including all clients/consumers in the organization's governance structure, illustrated in Figure 1 below. Therefore:
- Organize clients into circle structures whose aim is to provide a forum for clients to express their views and feedback about the services provided. Both direct and indirect clients are more or less organizable depending on their relationship with the nonprofit agency. One or more members of the nonprofit's General Circle serve on the Client's Circle and one or more representatives of the Client's Circle serve on the nonprofit's Top Circle. In essence, the clients are treated the way investors would be treated in a for-profit corporation.
- Define the aim and domain of these Circles. Doing this results in clear expectations and minimized power struggles.
- As in the case with volunteers discussed in the last section, a key return on investment for all indirect clients is information about the impact their contribution has made on the nonprofit's capacity to fulfill its mission and aims. Treat grant reports as a key element of feedback and an opportunity to connect with investors rather than as an unpleasant chore to be completed by the due date or else.
- The nonprofit can also identify any other benefits the indirect clients will receive (public recognition, topic education, networking opportunities, etc.).
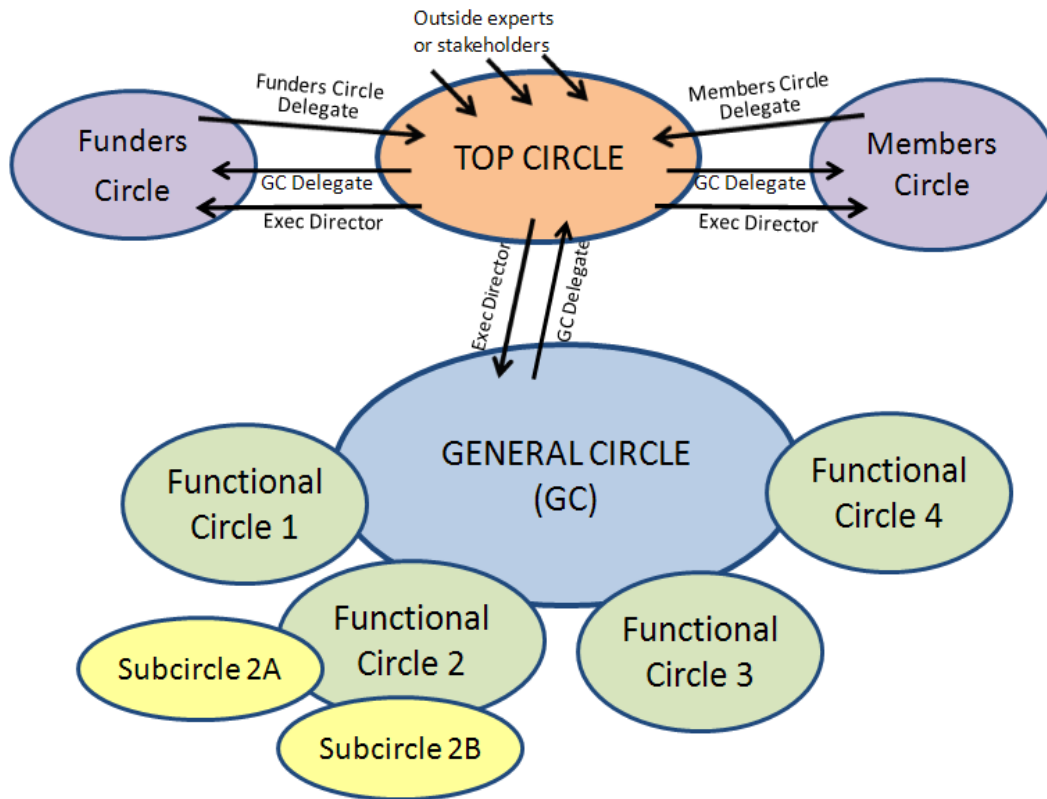
Figure 1. Possible circle structure for a nonprofit. *The Funders Circle and the Members Circle are both double-linked with the Top Circle (see discussion above). The Delegate from the General Circle to the Top Circle also serves as link, along with the Executive Director, from Top Circle to both Funders Circle and Members Circle. The Executive Director is chosen by the Top Circle and is operational leader of the General Circle. The Functional Circles may be comprised of some combination of staff, members, or others. The overlapping of circles (General/Functional and Function/Sub) indicates double-linking, meaning operational leader and elected representative are full members of both circles. This figure shows four Functional Circles and two Subcircles as an example; that number will vary from one organization to another.*

Example: A private nonprofit school provides educational services to its students but receives payment from families and perhaps donors and foundations. So, who is the client? The answer is that the students, families, and donors are all clients. Each service given to a student is also a service to the families and the donors, and the school must handle each of these "three-in-one clients" differently, as illustrated in Figure 2 below.

- Organize parents into a circle structure whose aim is to provide a forum for parents to express their views and feedback about the school. The Parents Circle elects one or more representatives to the school's Top Circle (Board). The Top Circle sends both the Head of School and the General Circle's representative to the Top Circle to the Parents Circle as full participants. In this way the Top Circle is double-linked with the parents, who are a major source of the school's funding. Schools that have significant income from donors (for instance, through an alumni association) can create a similar circle structure for the donors so that there is an orderly way for the donors to appoint or delegate a representative to the school Top Circle.
- Define the aim and domain of these circles. Doing this results in clear expectations and minimized power struggles.

- The Parents Circle may provide an additional benefit to its members by organizing events that help parents learn how to create home environments that effectively support their children's learning.
- Students (the direct clients) can be incorporated into individual circles consisting of parent, teacher, and student.
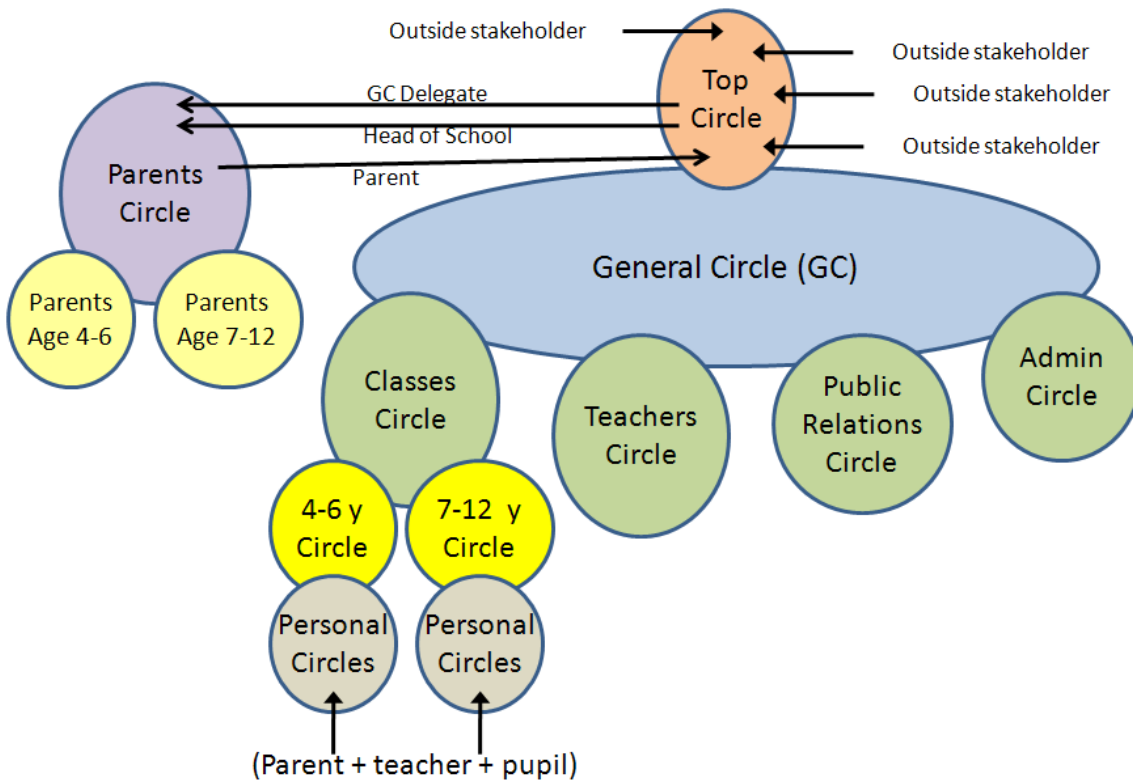- Students can participate with their teachers in classroom circles.

Figure 2. Possible circle structure for a nonprofit school. Circles that overlap in two places indicate double-linking; see discussion above and legend for Figure 1. Modified and reprinted with permission from De School, Sandvoort, Netherland.

The Challenge of Yourself as the Client/Consumer

The most complex client to include in the sociocratic structure is you serving yourself. Let's take the example of a self-managed housing complex known as "cohousing." These organizations are typical of organizations such as churches, clubs, professional associations, and social groups, whose primary aim is to provide services to their members. Cohousing communities typically organize to provide themselves a wide range of services from roof repair to meals. They may also organize community businesses to sell garden produce or handicrafts outside of the community, but their primary aim involves member services. As a producer, a community member may work to patch a pothole in the community's driveway one moment, and later, as a consumer, drive out on that same road with a neighbor to go to their children's soccer game. The consumers and the producers are the same people, and the tensions inherent in communication, decision-making, and governance can be hard to manage. This self-as-client challenge means that organizations established primarily to serve their own members are among the most difficult organizations to manage. Housing organizations such as condominiums, housing coops, ecovillages, and other intentional communities are particularly difficult because they involve so many aspects of living, rather than just a specific personal or professional interest.

Sociocratically-run housing communities have a formal policy-making circle structure – including General Circle, Top Circle/Board, and Department Circles – to steer the operations of the community association of renters/owners/members. This is different from having a Board elected by majority vote by the membership at large or a self-selected Board of volunteers, both of which can lead to Boards that are not chosen primarily on the basis of competency. Community members, in their client role, may come together for meals, events and celebrations, and they may also gather to discuss and give input on particular topics or on community well-being in general. These community-wide gatherings don't make decisions because they are gatherings of "clients." (Exception: state law or organizational bylaws may mandate that some decisions, such as approving a budget, are to be made by the membership as a whole.) In contrast, the community association is organized on the basis of the producer role, i.e., the circles of people who do the work of providing services to the community.

Because the community is its own customer, one source of outside stimulation is often missing from a housing community, namely external customers. Any closed system typically deteriorates (by analogy to the second law of thermodynamics). A deteriorating social system is marked by anger and bickering. It is important, therefore, for a housing community to keep itself open. For example, can the community association incubate community-run businesses that sell products or provide services to outside customers? More important is that the community/homeowner association Top Circle (Board) contains not just community residents but supportive external members chosen for their expertise. The experts should not be advisors but rather full members of the Top Circle able to raise paramount objections in the consent decision-making process.

In one housing community that was gradually adopting a sociocratic structure, some members were very resistant to this external member idea, asking, "Why do we need outsiders to tell us how to live together?" Finally, they decided to give the idea a try. After the first meeting they were very grateful. The outside experts brought in valuable information about fiscal management and about political winds in the county government. Furthermore, one of the earlier skeptics remarked, "It was like having guests in the house. We had to behave ourselves." That "we have to behave" feeling is an indicator that feedback from outside the community is present – the fresh air that supports an attitude of mutual respect.

The Challenge of Ownership and Control

Dynamic governance dramatically changes the notion of ownership. The sociocratic organization is not owned or controlled by a few at the top but rather by all the participants in its circle-organization structure. In effect the organization owns itself, or more accurately the organization is a free organization not owned or controlled by anyone. The power of ownership and control is distributed among all individuals and units of the organization. For many people, distributing power and control is entering into unknown territory. Both for that reason and because dynamic governance involves new structures, processes, and ways of thinking, dynamic governance requires training and consulting support. In addition, the organizational model of dynamic governance is new to the U.S. legal world, and therefore needs workarounds to fit into recognized organizational forms such as 501c3 corporations. The nonprofit's organizational documents, i.e., its articles of organization and bylaws, define its governance, and therefore those documents need to be written in a way that makes the implementation of dynamic governance possible. For examples of organizational documents consistent with the application of dynamic governance, see the book _We the People: Consenting to a Deeper Democracy_ by John Buck and Sharon Villines (2007, sociocracy.info).

Conclusion

All of the principles of dynamic governance apply equally to for-profit and nonprofit organizations. However, nonprofit organizations face such challenges as volunteer management, complex producer and client relationships, and self-as-client structures. These challenges can make them more difficult to manage than for-profit organizations. Nonprofits can thrive if they are mindful about how they "pay" their volunteers, treat their "indirect" clients like investors, and make it a high priority to stay open to their environments.

As the number of sociocratic organizations increases, it will become possible to network them together and generate an interactive positive societal effect – nonprofits' parallel to for-profits' interlocking system of directorates. Modern culture understands somewhat how to create business networks. Rotary Club, Business Roundtable, and Chamber of Commerce are examples. However, it seems harder to network organizations that provide social services, schools, churches, social clubs, environmental groups, etc. Understanding how to apply sociocratic principles to nonprofits may make them stronger, more open to interconnection, and more capable of collective impact.

About the Authors

John A. Buck has extensive leadership experience with government and corporations. He was a project manager for the Federal Aviation Administration and later for government contracting companies. While managing more than 200 people for the Harris Corporation in a multi-year project to install computers in U.S. consulates around the globe and train consular personnel in specialized software, he used many dynamic governance systems concepts. That project received ISO 9000 certification and consistently received outstanding ratings from its State Department clients.

John has been a certified dynamic governance (aka sociocracy) consultant since 2001. He coauthored _We the People: Consenting to a Deeper Democracy, A Guide to Sociocratic Principles and Methods_ in 2007 and began full time consulting. In 2011 John and five others established The Sociocracy Consulting Group (TSCG) LLC, a partnership of professional dynamic governance experts. TSCG is a division of The Sociocracy Group, headquartered in The Netherlands, that leads the international development of dynamic governance.

Jerry Koch-Gonzalez been organizing, educating, and consulting for social justice his entire adult life and has increasingly focused on communication and organizational processes that support human connection as equals. He is a certified trainer of dynamic governance and a member of The Sociocracy Consulting Group (TSCG). Jerry's particular focus in implementing dynamic governance has been with nonprofit organizations and cooperative housing communities. He has helped bring dynamic governance to the Pioneer Valley Cohousing Community (Amherst, MA) where he has lived since its founding in 1994.

Jerry is a certified trainer in Compassionate Communication/Nonviolent Communication™ (NVC), the cofounder of the Institute for Peaceable Communities/New England NVC, and Senior Trainer/Board President of Class Action Network. Previously, Jerry taught and trained with Movement for a New Society, the National Coalition Building Institute, DiversityWorks, Cambridge Youth Peace & Justice Corps, Lesley College Center for Peaceable Schools, Boston College Center for Social Justice, Spirit in Action, and United for a Fair Economy.

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