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TWELVE FRAMEWORKS FOR ORGANISATIONS AND RESEARCH

Edited by Guillaume Plaisance
and Anne Goujon Belghit

Non-profit Governance

Twelve Frameworks for Organisations and Research

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A stakeholder environment framework

Marc Pilon and François Brouard

Introduction

Organisations operate in a situated environment with multiple forces influencing them and interacting with a number of stakeholders. From prior research, we know that governance is an important element of managing the demands of stakeholders (Pilon, 2019). It is also a mean of managing accountability (Pilon & Brouard, 2023). Governance may be useful to address the evolving organisational landscape, such as stakeholder engagement, performance, value generation, social responsibility and sustainable development (ISO 37000:2021).

The literature refers to two main groups of governance mechanisms: internal and external. However, collaborative governance may be viewed as a third group of mechanisms that needs to be taken into account. Collaborative governance could be defined as an "approach to governance in areas where organisations need to work closely together in order to achieve their goals" (Shaw et al., 2019, p. 61). As public, private and non-profit activities, and society in general, become ever more complex and intertwined, the prevalence of collaborative governance will only increase. Anecdotally, we hear of organisations being involved in several collaborative initiatives concurrently.

The need for a third group of governance mechanisms, collaborative governance, involves interdependency and trust. By introducing the concept of collaborative governance, the concept is defined, along with its ingredients and barriers. The future direction and complexity of collaborative governance make it important to understand its contributing factors.

This chapter will briefly review the literature on governance in relation to the constructs of stakeholder environments. The objective of the chapter is to examine organisational level governance system and to propose a collaborative governance stakeholder environment framework that integrates salient concepts.

This chapter is organised as follows. First, stakeholders and their environment are presented. Then internal and external governance mechanisms are described. Collaborative governance is examined focusing on the need, the process, the ingredients, the mechanisms and the barriers. Two frameworks are offered on

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the governance system and its environment and on the collaborative governance mechanisms. Finally, concluding remarks are presented.

Macro-environment and stakeholders

This section examines stakeholders and their external environment. The environment could be divided into the external environment and the internal environment. The external environment includes the macro-environment and the stakeholders. The internal environment includes resources, culture, strategies, direction and structure (Brouard, 2004). Since the internal environment is specific to each organisation, the focus in this chapter is mainly on the external environment.

Macro-environment

Macro-environment includes different forces such as demographic, economic, technological, political, legal, ecological, geophysical, infrastructure, sociocultural, nature and ecology (Albrecht, 2000; Fahey & Narayanan, 1986; Kulieshova, 2014).

Various dimensions could characterise the external environment, such as homogeneity/heterogeneity, dynamism, connectivity, hostility, concentration/dispersion and turbulence (Fahey & Narayanan, 1986; Miller & Friesen, 1983).

Stakeholders

As Agle et al. (2008, p. 153) say: "the stakeholder idea is alive, well, and flourishing". Over recent years, discussion regarding stakeholders is more and more included in decision-making.

Stakeholders could be defined as "any individual, group, organisation, institution that can *affect* as well as *be affected by* an individual's, group's, organisation's, or institution's policy or policies" (Mitroff & Linstone, 1993, p. 141). Stakeholders could be individuals, groups, organisations or nature (Quattrone, 2022).

Among the stakeholders, a number of them could be listed, such as owners (shareholders/investors), members, volunteers, employees (executives, non-managerial persons), unions, customers/clients/beneficiaries/patients, suppliers/creditors, donors/foundations, media, competitors, society (public, citizens, local community), governments (national, provincial, regional, local), regulators, international organisations/agencies, advocacy groups, pressure groups, activists, professional associations, educators/researchers (university/college, think thank) and partners (Fassin, 2009; Mitroff & Linstone, 1993; Stamp, 1980).

A particular group of stakeholders is particularly relevant for collaborative governance; they create partnerships, cross-sector partnerships, alliances, public-private partnerships and networks. Those partnerships could be formal or informal.

Not all stakeholders (or interested parties) are created equally (Mitchell et al., 1997, 2015). Depending on the decisions or issues, hierarchy and prioritisation of stakeholders could be decided, for example in determining salient stakeholders (Mitchell et al., 1997).

Internal and external governance mechanisms

This section examines internal and external governance mechanisms as described in Brouard and Pilon (2020). The distinction between internal and external adopts the perspective of a specific non-profit and what is external to it. Table 1.1 presents a summary of internal and external governance mechanisms. The list applies to non-profits, but is not exclusive to this sector.

Internal governance mechanisms

Internal governance mechanisms can be grouped into the following categories: (1) beliefs and values, (2) board of directors, (3) board of directors committees, (4) advisors board, (5) family groups and rules, (6) remuneration plans, (7) management systems and (8) financial/ownership structure.

Beliefs and values include beliefs and values system, code of values, code of conduct, code of ethics, conflict of interest rules, trust, culture and management philosophy.

Board of directors is probably the mostly cited mechanism in terms of governance. It includes numerous facets such as its establishment, its statutory and oversight role, its size, its composition, the frequency of meetings per year, the proportion of executive directors/non-executive directors on the Board, the proportion of independent directors on the Board, the proportion of independent directors with accounting and finance background on the Board, the proportion of directors external to the family on the Board of directors (especially important with a family foundation) and the mix of inside and outside directors.

Board of directors has various committees which cover numerous aspects of the governance of an organisation. Various names are used by organisations for

Table 1.1 Internal and external governance mechanisms

Internal governance mechanisms	*External governance mechanisms*
Beliefs and values	Market
Board of directors	Members/stakeholders
Board of directors committees	Employees
Advisors board	Legal system
Family groups and rules	Disclosure requirements
Remuneration plans	Accounting profession
Management systems	Results and performance
Ownership structure	Media pressures
	Societal ethics and morality

Source: Adapted from Brouard and Pilon (2020, p. 65).

those committees, such as audit committee, governance, fundraising, nomination, management, executive, finance, remuneration and benefits, pension, environment and health, human resources, investment, risk, regulatory, compliance and government affairs, public responsibilities, technology and innovation, sustainability and ethics.

Family groups and rules may be relevant for family non-profits. For example, a family foundation may be regulated by the family procedures and rules such as the establishment of a family assembly, the frequency of the family assembly meetings per year, establishment of a family council, the frequency of the family council meetings per year, the frequency of meetings per year between family members, the family business rules and family charter. The interconnection between the non-profit and the family, especially for private foundations, may be unofficially settled at the family meetings.

Remuneration plans may be a source of tension between donors and the non-profit. The level of remuneration is often cited in the media for charitable organisations. Examples include executive compensation structure, executive compensation level, CEO compensation, remuneration systems, and performance incentives.

Management systems includes a wide variety of mechanisms such as constitution, bylaws, policies and guidelines, vision and mission, strategic plan, accounting systems, budget, business plan, rules and procedures, internal controls, internal auditor, strategic intelligence, balance scorecard, risk management system, conflicts resolutions, whistleblower policy and tools, crisis management, continuity plan and insurance. Some of those management systems are integrated in the ISO (37000:2021) guidelines.

Ownership structure of a non-profit organisation may include the ownership structure with various or a handful of members, the ownership by a family and its use for other objectives. Sometimes corporate foundations act as the philanthropic arm of a for-profit corporation.

External governance mechanisms

The external governance mechanisms are: (1) market, (2) members/stakeholders, (3) employees, (4) legal system, (5) disclosure requirements, (6) accounting profession, (7) results and performance, (8) media pressures, (9) societal ethics and morality.

The market has less implication for non-profits compared to for-profit corporations. However, with social enterprises market is more involved. The financial market and subsequent transactions may be relevant when considering the asset management or transactions by non-profits. Other market-related facets may include debt/loan market (debt covenant), labour market, managers market, goods and services market and competition between organisations, especially for attracting donation dollars.

Members may have an impact at the general meetings of the organisations. It may be the member's meetings participation and their rights (vote, protection from abuse, proxy voting).

Employees may exercise a control over the organisation. The number of employees may be small for non-profits. The control might be increased with the presence of unions, which is quite rare in non-profits. The employees may have the possibility and right to elect directors to the Board of directors.

The legal system includes corporate law, securities legislation, labour law, environmental law, access to information legislation, privacy legislation, disclosure protection legislation (whistleblowing), lobbying legislation, other laws and regulations, governance codes and codes of best practices.

Disclosure requirements is a major component of demonstrating financial accountability, and includes financial statements, management and discussion analysis (MD&A), annual reports, governance reports, environmental reports, social responsibility reports, governmental reports, disclosures of remuneration and voluntary disclosures.

The accounting profession with the accounting standards – Generally Accepted Accounting Principles (GAAP) and the auditing standards (GAAS) – regulates the financial disclosure and the assurance of financial statements. For instance, the accounting profession regulates audit engagements, including auditor independence, the presence of two auditors and the proportion of services other than auditing offered by an auditor.

Results and performance could be measured in various ways. In addition to the net income or excess of revenues over expenses, performance could be measured on various aspects such as social impact and its reputation. It could be board performance reviews, staff performance assessment, volunteer impact and contributions evaluation.

Media pressures could play a role in the flow of information with media inquiry on various facets. Societal ethics and morality place a context of what is acceptable or not in a society. The #metoo movement and its implications is an example of the evolution of societal ethics and morality.

Governance system and its environment framework

The governance system includes three main governance mechanisms, i.e. external, internal and collaborative. The governance system is in interaction with the external environment, namely the macro-environment and the stakeholders and also the organisational internal environment, including resources, culture, direction and structure.

As the purpose of the book is to provide frameworks for academics and practitioners, Figure 1.1 presents a framework showing the governance system and its environment with the addition of the collaborative governance to the usual internal and external governance mechanisms.

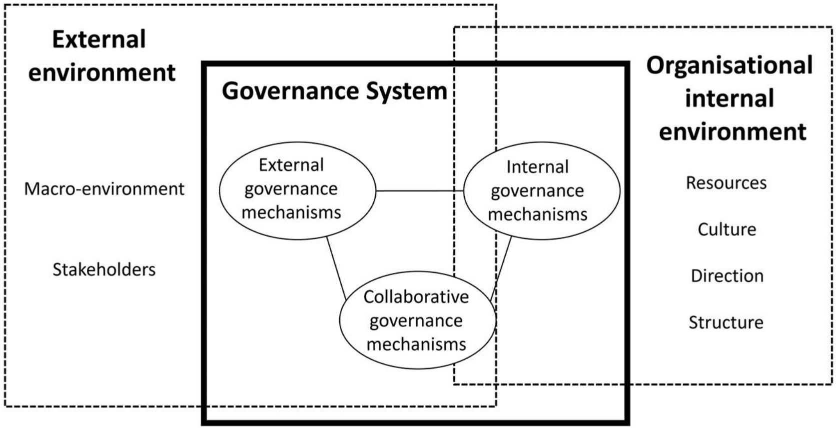

Figure 1.1 Governance system and its environment

Collaborative governance

While internal and external governance refers to a specific organisation, collaborative governance refers to the governance of multiple stakeholders interacting in the environment. For example, in a complex system, such as the health system, multiple stakeholders are involved to different extents. As the core element of this chapter, collaborative governance is examined within its environment. Justification for organisations to collaborate, definition of collaborative governance and process will be offered. To have a better chance of success, collaborative governance needs some ingredients, so the mechanisms could overcome the inherent barriers.

Need for organisations to collaborate

The need for collaborative governance emerges from the failures of agency-type governance mechanisms when an organisation realises that a problem cannot be tackled by the organisation acting alone. Many non-profits (small, medium and large size) may not have the capacity to achieve their goals on their own or it may be more beneficial for society as a whole to achieve those goals with other stakeholders. Haven't we heard the phrase attributed to Aristotle that: "The whole is greater than the sum of the parts?"

In collaborative governance, each participant aims to gain something from the resource investment, with the goal of achieving something that could not be realised by a single organisation acting alone: "the purpose of collaboration is to generate desired outcomes together that could not be accomplished separately" (Emerson et al., 2012, p. 14). In other words, organisations are incentivised to participate in collaborative governance because organisational outcomes are dependent on the participation of others.

For it to be attempted, participants need to perceive a benefit or value in collaborating (Sowa, 2009). The realisation of common purpose and interdependency is a catalyst to initiate collaborative governance (Emerson et al., 2012), where an organisation can work together to achieve more than what can be achieved independently. It is an alternative when adversarial approaches are ineffective, leading to efforts to experiment with collaborative governance. Collaborative governance is not about contracting out (agency): it is to achieve more than the sum of parts separately by working with others rather than against them. It therefore requires a shift from an agency perspective to stewardship perspective: "the goal is to transform adversarial relationships into more cooperative ones" (Ansell & Gash, 2008, p. 547).

Definition of collaborative governance

Definitions from the literature were gathered to identify common themes. Presented chronologically, Table 1.2 presents a sample of collaborative governance definitions found within the non-profit and public sector literature.

Table 1.2 Collaborative governance: some definitions

Author(s), year	*Collaborative governance definitions*
Gray, 1989	"a process through which parties who see different aspects of a problem can constructively explore their differences and search for solutions that go beyond their own limited vision of what is possible" (p. 5)
Huxham, 2000	"all forms of, and labels for, governance that involves people in working relationships with those in other organizations" (p. 339)
Ansell and Gash, 2008	"a governing arrangement where one or more public agencies directly engage non-state stakeholders in a collective decision-making process that is formal, consensus-oriented, and deliberative and that aims to make or implement public policy or manage public programs or assets" (p. 544) (definition within a public administration context)
Ansell, 2012	"a strategy used in planning, regulation, policy making, and public management to coordinate, adjudicate, and integrate the goals and interests of multiple stakeholders" (p. 498)
Emerson et al., 2012	"the processes and structures of public policy decision making and management that engage people constructively across the boundaries of public agencies, levels of government, and/or the public, private and civic spheres in order to carry out a public purpose that could not otherwise be accomplished" (p. 2)
Purdy, 2012	"processes that seek to share power in decision making with stakeholders in order to develop shared recommendations for effective, lasting solutions to public problems" (p. 409) (definition within a public administration context)
Cornforth Hayes and Vangen, 2015	"formalized, joint-working arrangements between organizations that remain legally autonomous while engaging in ongoing, coordinated collective action to achieve outcomes that none of them could achieve on their own" (p. 777)
Wodchis et al., 2019	"an approach to governance in areas where organizations need to work closely together in order to achieve their goals" (p. 56)

Based on the definitions in Table 1.2, three themes of collaborative governance are found in a majority of the definitions. The themes that emerge from the definitions above are that collaborative governance is (1) about engagement with stakeholders, (2) for collective decision-making through shared power and (3) to solve problems.

System and process

Collaborative governance unfolds within a governance system. Collaborative governance is a form of governance that is cross-boundary; in other words, it exists at the intersection of inter-organisational governance. Collaborative initiatives may also be called partnerships or networks (Cornforth et al., 2015).

Unlike distinct internal or external governance mechanisms, collaborative governance mechanisms straddle organisational boundaries and are an important (yet often overlooked) part of a governance system. A diverse range of governance mechanisms need to work together for a governance system to function properly. Like the mechanisms of a watch, no single component makes the system work, but rather, all pieces work together.

In all collaborative situations, the social aspect of people gathering is central to the endeavour. Collaborative governance is a mode of governance that "brings multiple stakeholders together in common forums […] to engage in consensus-oriented decision making" (Ansell & Gash, 2008, p. 543). It is joint action (in conjunction with others) to solve complex problems. Stakeholders in a collaborative endeavour may be called participants, members, parties, partners or collaborators. From here out, the term participant will be used.

The collaborative process is iterative or cyclical (Ansell & Gash, 2008; Emerson et al., 2012), as the participants build trust, dialogue their needs, negotiate alternatives and a path to problem solving, in different orders at different intervals and to varying degrees of effort and success. Per Shergold (2008), collaboration goes beyond coordination, which is the process of informing others ex-post of decisions made, and cooperation, which is the process of sharing ideas and resources for mutual benefit. Collaboration is a shared creation.

It may be important to note that collaborative governance is not the governance of each individual organisations but the governance of the collaboration (Shaw et al., 2019).

Ingredients of collaborative governance

For collaboration to be effective several ingredients are necessary. We use the term ingredients to describe the conditions or dimensions under which one can expect collaborative governance to function. These common ingredients include joint purpose and motivation, trusting relationship, leadership and engagement, power balance and sharing, engaging forum, resources and capacity. Each of these ingredients is discussed next.

The historical context of the collaboration may have an impact on the collaborative governance (Shaw et al., 2019). Previous organisational relationships and individuals' personal relationships may accelerate or constrain the collaboration. Positive relationships may enable the collaboration, while negative ones may set back the collaboration on a more difficult track. Recognition of the history is a step to assess the situation.

Joint purpose and motivation

For collaborative governance to work, there has to be mutual benefit and shared goals (Emerson et al., 2012). The purpose is also the primary governance principle (ISO 37000:2021). There needs to be a common agreed upon purpose or objective. Any lack of clarity can frustrate participants and put at risk intended results. Two dimensions of the joint purpose could be raised, namely shared understanding and shared interest (Shaw et al., 2019).

A shared understanding is important regarding the overall purpose. However, the joint purpose is composed of many sub-goals which may also have to have a common understanding. Small steps and interim goals may be useful to solidify the collaborative relationship and to help in building a strong relationship. Participants need to have shared interest in achieving the collaboration. Without a clear interest for each participant, disengagement may happen sooner than later.

Shared motivation and incentives to participate are other key ingredients. Without motivation of the organisations and each leadership team, the collaboration will suffer, and commitment may disappear. The benefits need to be explicit for each participant. It is not only the motivation at the beginning of the collaboration, but also over its existence. Incentives could be "either internal (problems, resource needs, interests, or opportunities) or external (situational or institutional crises, threats, opportunities)" (Emerson et al., 2012, p. 9).

Interdependency

Recognition of interdependency is required. In an interconnected world, collaborative governance might be seen as an effective way or even the only way to address complex social problems. Therefore, it is a perception or realisation of interdependency that fosters a desire to participate (Ansell & Gash, 2008). Complexity of issues, for example regarding poverty or health care, is difficult to tackle by a single stakeholder. Collaboration may be a way to increase the chance in solving some problems or at least going in the right direction. A challenge of collaboration is the uncertainty around it, and collaboration may be a way to manage risks in achieving a purpose (Emerson et al., 2012).

Trusting relationship

Mutual trust is an important ingredient to collaborative governance. Collaborative governance requires mutual accountability, which is only possible through trust (Jing & Hu, 2017). Trust is a relational resource. If missing, it is a trust deficit or liability for which the participants need to rebuild for effective collaborative governance. The starting point of trust between participants "can either facilitate or discourage cooperation among stakeholders" (Ansell & Gash, 2008, p. 550). Whereas a history of cooperation will foster trust, a history of conflict will make trust harder to achieve (Ansell & Gash, 2008).

Trust can be damaged from changes in leadership, personality differences, poor prior outcomes, unfavourable changes to policy directives, miscommunications, lack of resources to carry out collaborative activities and many other negative factors. As such, the nurturing process must be continuous and permanent (Huxman & Vangen, 2008). If a participant is involved in collaboration for only vested (personal) interests rather than mutual benefit, the endeavour is less likely to succeed if hidden agendas are identified by the other participants, resulting in a loss of trust. As conflicts are inhibitors of collaborative governance, any aggressive participant will lead to distrust. Therefore, commitment on the process and in building trust is important (Shaw et al., 2019).

Leadership, engagement and commitment

Leadership, engagement and commitment to the collaboration is an "essential driver" (Emerson et al., 2012, p. 9). An identified leader should be present and committed. Leadership acts to make sure resources and capacity are allocated, acts fairly to the benefits of the collaborative relationship and all participants, and may assume the transaction costs when starting the collaboration (Emerson et al., 2012). Leadership could be pre-determined from the start or emerging organically (Shaw et al., 2019). The persons assuming the leadership of the collaboration should have enough power to be able to make decisions for the collaborative relationship.

Power balance and sharing

Collaborative governance only works among perceived partners, or when otherwise upward stakeholders share their power in the decision-making, as "traditional hierarchies do not exist in collaborative settings" (Huxman & Vangen, 2008, p. 39). Power is a resource that must be shared, so that the decision-making is made by the participants as a whole (Purdy, 2012). Therefore, participants who have authority must transfer or share their power for the collaborative endeavour to function (Purdy, 2012). Collaborative governance provides the opportunity for participants to dialogue and negotiate without one participant imposing their vision. All participants build knowledge and gain a better understanding of the complex problems and explore (together) ways of improving processes and achieving the collaborative objectives without coercion. Power imbalances may result in co-optation or coercion by the more powerful participants, resulting in a less effective, or altogether ineffective, collaboration process (Purdy, 2012).

Engaging forum

Collaborative governance brings stakeholders together in a collective forum to engage in consensus decision-making (Ansell & Gash, 2008). Specific mechanisms could be used for that purpose as discussed in the following Section, "Collaborative governance mechanisms". Collaborative governance goes beyond consultation, as it implies a two-way (or multiple-way) communication and the opportunity for participants to listen to each other, learn from each other and understand other participants' needs and constraints. Collaborative governance requires engagement through dialogue (Emerson et al., 2012). Constructive dialogue also helps to sustain trust and rectify any confusion or lack of clarity.

Resources and capacity

Collaborative governance requires the pooling of resources, as value of collaborative governance is derived from the resources that each participant provides to the endeavour. The resources need not be equal, but strategic in terms of each participant's unique situation. The resources may include financial funds, people and their time, technology and knowledge. Knowledge can be seen as the currency of collaboration (Emerson et al., 2012), whereas when knowledge is shared between participants, it facilitates problem solving that could not have been achieved independently.

The collaboration may bring a new capacity by combining "four necessary elements: procedural and institutional arrangements, leadership, knowledge, and resources" (Emerson et al., 2012, p. 14). A joint capacity is created which may not have been possible without the collaborative relationship.

Other ingredients

Other 'ingredients' for successful collaborative governance exist at the individual level – e.g. facilitative leadership (Ansell & Gash, 2008; Emerson et al., 2012), but these constructs are out of scope for this organisational level analysis.

In addition to the ingredients above, to be successful, collaborative governance needs to regenerate itself over time by redefining its purpose and reengaging with participants as a result of changing environments (Cornforth et al., 2015).

Collaborative governance mechanisms

The process of collaborative governance "involves respecting the circumstances in which collaboration takes place, committing to face-to-face meetings to establish trust, and respecting a process that all parties agree upon for making collaborative decisions. By responding to a series of questions informed by collaborative governance, organizations can orient their governance activities in a more collaborative way for more integrated care" (Wodchis et al., 2019, p. 56).

Collaborative process, policies and rules may be integrated in regular internal and external governance mechanisms. While not exhaustive, examples of collaborative governance mechanisms include:

- Clear and documented processes
- Regular meetings
- Joint committees
- Community advisory councils
- External and independent advisors
- Umbrella groups or working groups
- Limited companies or partnerships
- Multi-stakeholder joint roundtables
- Learning and continuous improvement procedures

Therefore, collaborative governance mechanisms are the actions taken to bring together the various stakeholders and advance the joining endeavour. By fostering the ingredients, an organisation will benefit from collaborative governance and contribute to the desired outcomes (Calò et al., 2024). By changing the dynamics from competition to collaboration, this may improve organisational legitimacy and the overall service delivery.

Barriers of collaborative governance

While collaborative governance offers many advantages, it is not without its drawbacks. The drawbacks include high transaction costs, a fragmentation of accountability and a loss of autonomy (Brandsen & Johnston, 2018; Jing & Hu, 2017; Purdy, 2012).

High transaction costs

Setting up and maintaining a collaboration can require more effort than advancing projects independently (Brandsen & Johnston, 2018). Success is dependent on other participants following through on their commitments (no freeloaders), and like other investments, it is done without the certainty of benefit. Moreover, collaborations require lots of work because of its complexity, and burnouts among its members can happen.

Fragmentation of accountability

Collaborative governance blurs the lines of organisational accountability. The more there are participants and the more the solutions (and resulting outcomes) are integrated among the organisations, the more responsibility is diffused. Ill-defined responsibility can make it difficult to hold participants accountable and result in accountability ambiguity (Brandsen & Johnston, 2018). Specific accountability needs to be established for collaborative governance to be effective.

Loss of autonomy

For collaborative governance to work, decisions need to be made in conjunction with the participants involved. Collaborative governance is not a 'winner-take-all'. Rather, the consensus required could be exhausting to participants as it requires a win-win process. This results in organisations being evermore dependent on others.

In addition, in instances of abuse of trust, some participants may self-servingly scheme to use collaborative governance improperly as a means to grow power over collaborators (Purdy, 2012). Therefore, collaborative governance is not costless.

Collaborative governance is also not for every situation. For example, it would likely not be the appropriate in situations that require quick decision-making or rapid implementation. Building a relationship is a long-term endeavour that takes time.

Collaborative governance mechanisms framework

By expanding on the collaborative governance mechanisms circle presented in Figure 1.1, Figure 1.2 summarises a collaborative governance mechanisms framework with examples of governance mechanisms, some ingredients and some barriers.

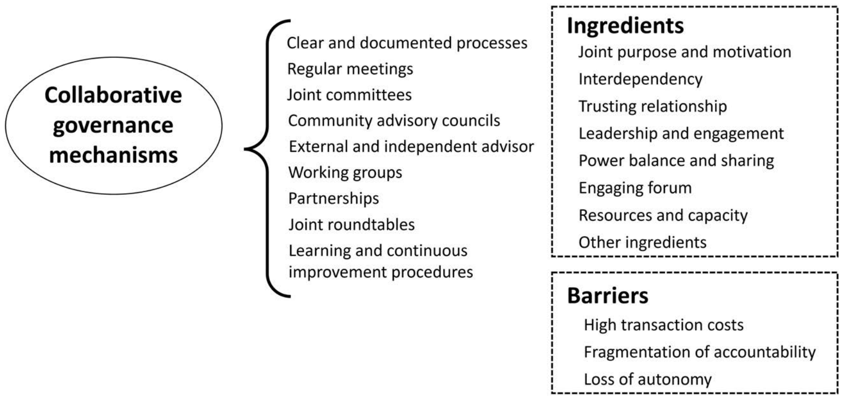

Figure 1.2 Collaborative governance system

Conclusion

The literature argues that collaborative governance is generally worth the effort and corresponding risk because the whole of what can be achieved together is greater than what can be achieved independently. However, the adoption of collaborative governance requires a change in culture and training for organisational leaders working to achieve their organisation's objectives when it is interdependent with others.

Collaboration and collaborative governance offer an opportunity to extend the governance to multiple stakeholders aiming to achieve a common objective or purpose. Some ingredients are necessary to achieve a success.

Some go so far as to argue "that unless potential for real collaborative advantage is clear, it is generally best, if there is a choice, to avoid collaboration" (Huxman & Vangen, 2008, p. 42). Therefore, in order to achieve its full potential, entering into collaborative governance should not be taken lightly. Ingredients such as joint purpose, mutual trust, engaging forum, power sharing and heterogeneous resources are important conditions of successful collaborative endeavours.

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